SBA Relief Update: What Can My Business Do Now and What Might Be Coming?

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While Congress is working on a proposal that would, if passed and approved, provide up to $300 billion for small businesses to meet their financial obligations, that legislation is currently stalled. Frost Brown Todd's Coronavirus Response Team is monitoring this legislation closely. But we are keenly aware of the need for businesses to obtain whatever relief is available now.

In a March 16 update, our team outlined Disaster Assistance Loans provided by the Small Business Administration (SBA). That program remains in place and continues to move forward. This update provides additional guidance on the SBA COVID-19 Disaster Assistance Loans and what other relief may be offered by the SBA in the pending legislation.

Additional Guidance on the SBA Disaster Loan Program

- SBA disaster relief loans are intended to cover expenses for up to six months.
- Such loans can be applied for and declined if not needed.
- Though not officially on the SBA website, we are being told by SBA officials that payments would be deferred for twelve months.
- It is unknown how, or if, the legislation pending in the senate will impact this program.
- It is recommended that if you think you need financing, your business should apply.

Pending Legislation Likely to Provide Relief

Under a current proposal, the SBA would offer additional loans that would convert to grants under certain circumstances. Much is unknown regarding how this conversion would work. This article is an overview of high-level information about the proposal. Again, our Coronavirus Response Team is monitoring the legislation and will update you accordingly.

What relief is proposed?

- $300 billion in loans to small businesses
- Loans that convert to grants, so long as they are used for payroll and regular operations for a period of time. Currently, that time period is unknown.
- The ultimate rules would be retroactive to March 1, 2020.
- The amount of each loan would be calculated on the business's average 2019 expenses, with a maximum loan of $10,000,000.
- Existing SBA loans could be used for costs that aren't usually covered, such as paid sick leave, salaries, and supply chain disruptions.
- SBA "express loans" would increase from $350,000 to $1,000,000.

What is currently unknown?

- Congress is still working out the details of how the loan-to-grant conversion would work.
- Clarity will be needed on how the SBA will interpret "regular operations" to convert the loan to a grant.
- The time period after which the loans could be converted to grants. A timeframe of six to eight weeks has been discussed.
- Whether the loans will be made only through those lenders currently approved as SBA lenders or other financial institutions.
- What documentation small businesses will need to submit with their loan application, along with the timeframe for approval and funding.

What should I do now?

- Monitor the Frost Brown Todd's Coronavirus Resource Page for updates about the legislation.

Consider your actions and how they will impact your eligibility for the proposed loan to grant program, specifically as you are making employment decisions. Because the legislation is applied retroactively, your actions now — even before passage of the legislation — could impact your eligibility for the new program.

To provide guidance and support to clients as this global public-health crisis unfolds, Frost Brown Todd has created a Coronavirus Response Team. Our attorneys are on hand to answer your questions and provide guidance on how to proactively prepare for and manage any coronavirus-related threats to your business operations and workforce.