

April 01, 2020

The CARES Act: Paycheck Protection Program Guidance for Lenders

On Monday, March 30, 2020, we published a client alert that examined considerations and opportunities for lenders under the Paycheck Protection Program (the Program), a new Small Business Administration (SBA) loan program created under Congress's \$2 trillion economic relief package for small businesses, nonprofits, and other entities impacted by the COVID-19 pandemic.

Under the CARES Act, within 15 days of enactment, the SBA and Treasury Department were required to issue guidance and regulations implementing the Program. Accordingly, on Tuesday, March 31, 2020, the Treasury Department published an information sheet for lenders, including the following new information:

- All FDIC-insured depository institutions and credit unions, and Farm Credit System institutions are eligible to be lenders under the Program, and should submit an application to DelegatedAuthority@sba.gov in order to apply if not yet approved
- All Program loans are 100% guaranteed by the SBA, with all guarantee fees waived
- Program lenders will receive processing fees as follows:
 - Loans \$350K and under: 5%
 - Loans greater than \$350K to \$2M: 3%
 - Loans greater than \$2M: 1%
- Borrowers may be represented by an agent, including an attorney, accountant, consultant, a loan broker, and anyone else acting as an authorized representative of a Program applicant by conducting business with the SBA

Related Industries

Banking & Financial Services

Related Practices

CARES Act Relief

Commercial Finance & Lending

Corporate

COVID-19 Resource Center

- Agent fees will come from the applicable Program lender (not the applicant) and are as follows:
 - Loans \$350K and under: 1%
 - Loans greater than \$350K to \$2M: 0.5%
 - Loans greater than \$2M: 0.25%

The Treasury Department also published an information sheet for borrowers, which includes some relevant information for lenders as well, including that:

- Potential borrowers can begin applying for Program loans as soon as Friday, April 3 with any SBA-approved lender, and the application is available on www.sba.gov
- The interest rate for Program loans is fixed at 0.50% (despite a maximum interest rate of 4% that was set forth in the CARES Act)
- All Program loans mature in two years, with payments deferred for six months but interest accruing during that period of time
- There are no prepayment fees, and no collateral or personal guarantees are required

Interested in learning more about the SBA's new Paycheck Protection Program and how it applies to businesses seeking economic relief? See our comprehensive Q&A for Small Business and Nonprofits, and a more recent update on our Client Alert, including a sample application for borrowers and more details on the guidance published by the SBA and Treasury Department.

Related People

Alexander Fraser

apfraser@michaelbest.com

T 414.347.4757

Cheryl Isaac

Senior Counsel

clisaac@michaelbest.com

T 202.595.7934

Galen Mason

Partner

gmason@michaelbest.com

T 312.596.5814

Vincent Morrone

Senior Associate

vmorrone@michaelbest.com

T 414.277.3477



Brent Stork

Partner

bastork@michaelbest.com

T 414.277.3470