

Your Current SBA Loan Options

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Posted By Garnet Moore, Monday, March 30, 2020



The availability of financial assistance in the US is rapidly increasing and rules around gaining access to this capital are changing to be as lenient as possible for impacted businesses. Here is what you need to know about the SBA Disaster Loans currently available to many businesses, the new SBA Express Bridge Loan Pilot Program, and the possible availability of SBA 7(a) loans in light of S. 3548 the Coronavirus Aid, Relief, and Economic Security (CARES) act.

SBA Disaster Loans

There are several types of assistance available in the SBA Disaster Loan Program, but most businesses in the indoor climbing industry will be focused on Economic Injury Disaster Loans (EIDL). This type of loan is only available to you if you are located in a [declared disaster area](#), are a small business or private non-profit, and you have suffered substantial economic injury.

The SBA defines substantial economic injury as damage to a business that leaves it unable to meet its financial obligations, to pay its ordinary operating expenses, or to market, produce or provide a product or service ordinarily marketed, produced or provided by the business.

In general, the EIDL program consists of a \$50 billion fund that guarantees a loan that you will have with a private bank. The maximum interest rate allowed is 3.75% but your rate will be determined based on formulas set by law.

Terms of the loan may vary as well, but the maximum allowed loan term is 30 years. There is a

\$2 million limit for any EIDL but the SBA does have the ability to waive this limit if a business is considered a major source of employment.

While the details of the EIDL for COVID-19 are being worked out, it is possible that there may be some rule changes. It is best to get in contact with your [local SBA or SBDC office](#). Typically, applicants for an EIDL need to prove their ability to repay the loan, provide acceptable credit history, and have sufficient collateral for loans greater than \$25,000. Some of these requirements may be altered or eased to handle the current pandemic.

You can find up-to-date information about the COVID-19 EIDLs directly through the [SBA website](#), and if you are in a declared area you can [apply online](#) as well.

SBA Express Bridge Loan Pilot Program

On March 25, the SBA launched the [Express Bridge Loan Pilot Program](#). Express Bridge Loans (EBLs) are designed to fast track funds for businesses that already have an existing relationship with an approved SBA Express lender.

Similar to the EIDL you must be in a declared disaster area and have been in business at the beginning of the declared disaster, for the COVID-19 emergency declaration the applicable date is March 13, 2020. You must also still meet the [eligibility requirements](#) of the original 7(a) loan program

If you are eligible for an EBL, you can receive a loan with a maximum value of \$25,000 with a maximum term of 7 years. The maximum interest rate is 6.5% over the current Prime rate and the EBL is subject to many of the same fees as a similarly sized 7(a) loan.

These loans typically take 3-4 weeks to process, but with the current volume that the SBA is facing there is not a clear or reliable timeline to expect.

Economic Injury Disaster Advance Loan

The SBA has also launched a [loan advancement program](#). For any business experiencing a temporary loss in revenue you are eligible for a \$10,000 advance. These funds will be available within 3 days of a successful application and they will not have to be repaid. You can [apply here](#).

SBA 7(a) loans

The [CARES act](#) was signed into law on Friday March 27. There are several measures that help small businesses, and we will discuss those in further articles. Here we will focus on possible changes to the SBA 7(a) loan program.

The rule changes in the CARES act are designed to help small businesses (less than 500 employees) cover payroll from 2/15/2020-6/30/2020. There are some potential restrictions for employees who earn more than \$100,000 in annual compensation, and there will be expansions of what are considered eligible employees.

The loans will be calculated based on the average monthly payroll of eligible employees multiplied by 2.5 up to a maximum of \$10 million. Currently the maximum interest rate for these loans will be set at 4%. There is a minimum deferred repayment of 6 months, but that deferment could last up to a year for some loans.

The funds received through this loan program can be used for payroll, health care benefits, interest payments on mortgages, interest on debt obligations, rent, and utilities. Mortgages, rents, utilities, and other debt must have begun before 2/15/2020.

A portion of your loan would also be eligible for forgiveness in the amount equal to any payroll costs, mortgage payments, rent payments, and utility payments. Similar to the loan amount any forgiveness is controlled by a formula. Loan forgiveness is a calculation of the percentage of employees retained during the covered period, which is 2/15/2020-6/30/2020. The amount of forgiveness will be reduced by any employees laid off or experiencing salary deductions of greater than 25% prior to, or during, the covered period.

To find out your maximum forgivable amount you can take your total eligible payroll cost multiplied by the average number of full time staff you have for 8 weeks after your loan origination and then divide that by the average number of full time employees during the covered period.

If you laid off staff or reduced wages between 2/15/2020 and 4/25/2020 (30 days after the CARES act passed) your amount of loan forgiveness will not be reduced if you are able to reinstate that number of staff and return wages to their previous levels.

Opportunities to Learn More

Join us on Thursday, April 2 for a CWA Community Call with Burl Kelton and Frances Padilla from the U.S. Small Business Administration. We will discuss who is eligible, how the EIDL can be used, and what sorts of terms and requirements are normal. [Sign up now!](#)

As more information becomes available, we will continue to offer further clarification.



About the Author

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**INSURANCE UPDATE FROM
MONUMENT SPORTS**

April 1, 2020

**THE CWA REQUESTS THAT
CONGRESS PROVIDE STIMULUS
TO CLIMBING GYMS**



March 25, 2020

