

CARES Act Provides Subsidies For Loan Payment Relief On Certain SBA Loans

April 10, 2020

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As one of the many financial relief programs intended to help small businesses weather the COVID-19 crisis, The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides subsidies for certain existing and new Small Business Administration (SBA) loans.

Under Section 1112 of the CARES Act, the SBA is required to subsidize certain existing and new SBA loans by paying the principal, interest and any associated fees on such loans for a six (6) month period. Qualified SBA loans include:

- SBA 7(a) guaranteed loans (including loans made under the Community Advantage Pilot Program but excluding loans made under the Paycheck Protection Program)
- SBA 504 loans under the Certified Development Company Loan Program
- SBA 7(m) loans under the Microloan Program

The subsidy will begin with the next payment due on qualified SBA loans and applies to:

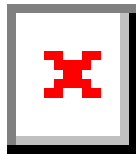
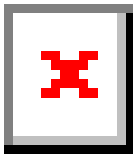
- Existing qualified SBA loans (made before March 27, 2020), including those that are in deferment and those that are not in deferment
- New qualified SBA loans made after March 27, 2020 and before September 27, 2020

The SBA is required to begin making the required subsidy payments within thirty (30) days of the first payment due date on a qualified SBA loan. For loans in deferment, the first payment due date will be the first payment due after deferment. Qualified borrowers will not have the obligation to repay or reimburse the SBA for any subsidy payments.

Notably, the CARES Act does not require any action by qualified borrowers to participate in the subsidy program. **Qualified borrowers (or borrowers who believe they qualify), however, are strongly encouraged to check**

with their lenders to confirm that they are qualified for the subsidy program before skipping any loan payments.

As Section 1112 of the CARES Act expressly assumes that all borrowers are adversely affected by COVID-19, Section 1112 also encourages lenders to defer loan payments and extend maturity dates on qualified SBA loans.



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