



TEMPORARY FEE ELIMINATIONS

SBA 504

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TEMPORARY FEE ELIMINATIONS FOR 504

- From new loan approvals from date of enactment of new law (December 27, 2020) through September 30, 2021
- Waives **0.5% Third Party Lender Participation Fee** – on loan in senior lien position in 504 project
- Waives **1.5% CDC Processing Fee** (in debenture pricing)
 - Offset with appropriation to fund fee to CDC
- SBA guidance expected to address handling of all loans in process at SLPC



CARES ACT SECTION 1112

TAX IMPLICATIONS

DEBT RELIEF

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TAX IMPLICATIONS

- **CARES Act Section 1112 Payment Subsidies**
 - Will not be treated as taxable income to the borrower for federal income tax purposes
 - Any tax deduction arising from these payment subsidies will accrue to the borrower as if the payment were made by the borrower
- **Also exempt from federal taxation**
 - PPP Debt Forgiveness
 - Advances and Grants under EIDL Program
- **Small businesses should consult their tax professional for specific guidance on tax issues**

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DEBT RELIEF UNDER CARES ACT SECTION 1112

- **Congressional Appropriation**
 - \$3.5 billion to extend payments to existing and new SBA borrowers in the 7(a), Community Advantage, 504 and Microloan programs
- **Qualifying Loans made approved prior to CARES Act (March 27, 2020)**
 - 6 months of payment subsidies
 - Funded borrowers & borrowers coming off deferment may have already received or been allocated this relief under original CARES Act
 - 3 months of payment subsidies starting February 1, 2021 capped at \$9,000 per loan per month
 - Additional 5 months (after 3-months) payment subsidies for loans to “underserved”, capped at \$9,000 per loan per month
 - Community Advantage loans and Microloans
 - Hard-hit NAICS code loans [7(a) and 504 loan programs]

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HARD HIT NAICS CODES

NAICS Code	Industry	NAICS Code	Industry
61	Educational Services	485	Transit, Rail, Bus, Taxi, Limo
71	Arts, Entertainment, and Recreation	487	Scenic and Sightseeing Transportation
72	Accommodation & Food Services	511	Newspaper, Books, etc. Publishing
213	Support Activities for Mining	512	Motion Picture, Video, Sound Recording Industries
315	Apparel Manufacturing	515	Radio and TV Broadcasting
448	Clothing and Clothing Accessories Stores	532	Rental & Leasing – equipment, consumer goods, etc.
451	Sporting Goods, Hobby, Book, Music Stores	812	Personal and Laundry Services
481	Air Transportation		https://www.census.gov/eos/www/naics/

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DEBT RELIEF UNDER CARES ACT SECTION 1112

- **Qualifying Loans made approved during original CARES Act (March 27, 2020 – September 27, 2020)**
 - 6 months of payment subsidies
- **Qualifying Loans approved February 1, 2021 – September 30, 2021**
 - 6 months of payment subsidies, capped at \$9,000 per loan per month
- **Loans approved September 27, 2020 – January 31, 2021**
 - No payment subsidies
 - Why? Congressional intent of Section 1112 payment subsidies is to provide “relief” to existing borrowers in place at the onset of the pandemic and to stimulate new loans that would not otherwise occur because of the pandemic



CHANGES TO 504 DEBT REFINANCE LOAN PROGRAMS

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504 DEBT REFINANCE WITHOUT EXPANSION

- Elimination of prohibition on refinance of any government-guaranteed debt
- Elimination of requirement that 504 Debt Refinance without Expansion be suspended if the 504 Loan Program goes on subsidy
- Elimination of 50% cap – CDC’s volume of new refinance approvals cannot exceed 50% of the dollars the CDC loans under the 504 Loan Program during the previous fiscal year
- Reduction from 2 years to 6 months required time that Qualified Debt must be in place for refinance eligibility
- Elimination of requirement that loan must have been current for not less than 1 year prior to application date
- Reinstatement of Alternate Job Retention Goal – all existing jobs may be counted as jobs retained (full-time and full-time equivalent jobs allowed)

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OTHER 504 DEBT REFINANCE CHANGES

- **504 Debt Refinance With Expansion**
 - Increase in amount of debt eligible for refinance from 50% of expansion costs to **100% of expansion costs**
- **Refinancing Senior Project Debt**
 - During the 1-year period following enactment of the law, a CDC can process a cash-out subordination to re-leverage the TPL loan to a **total 90% loan to value (LTV)** when combined with the outstanding balance on the existing 504 loan
 - Proceeds can be used to support business operating expenses