

Borrowers Under SBA 504 and SBA 7(a) Loan Programs Eligible for Deferral of Principal, Interest and Fees for up to Six Months

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To address temporary business interruptions, U.S. Small Business Administration (SBA) lenders nationwide have authority to defer payments of principal, interest and servicing fees for up to six months. Borrowers with existing loans under the SBA 504 Loan (Certified Development Company) program and the SBA 7(a) Loan Guarantee program should proactively contact their lenders to request a deferment. The deferred amounts are typically repaid through catch up payments beginning in the seventh month and amortized over an agreed upon period not longer than the life of the loan.

Banks, credit unions, and non-bank lenders should take this opportunity to check in with their borrowers to discuss available deferral options. It is important to note that SBA approval is not required for the initial deferral, which is solely within the lender's discretion under current SBA guidelines. An additional deferral period of up to six more months is also possible but *does* require SBA approval.

The ability to bypass the SBA for approval of the initial deferral is key, given how busy the SBA will likely be granting approvals related to the debt forgiveness provisions of the CARES Act and directly administering the Economic Injury Disaster Loans (EIDLs) program. On a related note, the SBA recently provided step by step guidance on the EIDL online application process and related FAQs.

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