Inside the CARES Act: Loan Payment Subsidies for Certain Loans as Part of the CARES Act of 2020

Sunday, March 29, 2020

In addition to the expansion of the Small Business Act’s (“SBA”) business loan program and the SBA’s disaster loan program, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) authorizes loan payment subsidies for certain loans.

SBA Loans Included in the CARES Act

These loans include those (i) guaranteed by the Small Business Administration (“Administration”) the SBA Business Loan Program (including the Community Advantage Pilot Program, but excluding the new payroll loan program established under Section 1102 of the CARES Act) or Title V of the Small Business Investment Act; or (ii) made by an intermediary to a small business concern using loans or grants received under the SBA’s Microloan Program.
The Sense of the Congress is that the Administration “should encourage lenders to provide payment deferments, when appropriate, and to extend the maturity of covered loans, so as to avoid balloon payments or any requirement for increases in debt payments resulting from deferments provided by lenders during the period of the national emergency” with respect to COVID-19.

CARES Act Loan Payment Subsidies

The subsidy includes the Administrator paying (on behalf of the borrower) the principal, interest, and any associated fees owed in a regular servicing status for loans made:

- before this CARES Act is enacted not on deferment, for the six-month period beginning with the next payment due;
- before this CARES Act is enacted that are on deferment, for the six-month period beginning with the next payment due after deferment; and
- within six months of enactment of the CARES Act, for six months after the first payment is due.

Borrowers are encouraged to speak with their lenders regarding this subsidy.

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