**The Small Business Lifeline**

Well let’s face it, we knew this time was coming, but we didn’t see it coming this quickly. It is apparent to all business owners that there is uncertainty in the future. As a Commercial Banker for 21 years, I experienced the meltdown of 2008 and this one is looking a little different from that one.

I wanted to share with you some “lifelines” that are available to your business from banks and the federal government. I also will share with your things that many of my clients are asking when it comes to refinancing or mortgage lending.

**THERE ARE 2 LOAN PROGRAMS**

**OPTION 1- The Government Lifeline‐ SBA Disaster Loan Program**

* SBA to provide disaster loans to small businesses impacted by coronavirus
  + Note: These loans are done DIRECTLY with SBA‐ NOT BY TIMBERLAND BANK/FIRST CITIZENS BANK or any other bank or credit union.
* **FACTS**
  + SBA’s Economic Injury Disaster Loans (Not line of credit) offer up to $2 million (average loan is $250,000‐$500,000) in assistance to help overcome the temporary loss of revenue.
    - Qualifications: You must have a need for the funds, you must be credit worthy, and there must be reasonable belief of repayment
  + These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can’t be paid because of the disaster’s impact.
  + Important: You must keep all receipts for 7 years in the case you are audited, don’t think you can use the funds for other purposes than those listed above, you will get caught.
  + The interest rate is 3.75% for small businesses fixed for 30 years!
  + No payments for 12 months (but interest accumulates)
  + No Loan Fees
  + Collateral: They will look for collateral if you have equity in any real estate (Business or personal) or a UCC filing against the business
  + Processing time:
    - 3 Days underwriting
    - Less than 30 days to get funds (EFT Funds to Business Account)
    - SBA is expecting 300,000 applications
  + These loans are also available to passive entity like if you have apartment buildings or rental properties with tenants!
  + If you want to apply: Call 1‐800‐659‐2955 or visit https://disasterloan.sba.gov/ela/

**OPTION 2- Payment Protection Program (From the Cares Act)**

**\*\*The SBA has NOT came out with any other information than what is available below.\*\***

* + - * Direct through SBA Lenders
      * Program Duration: 2/15/2020- 6/30/2020
      * Total Budget: $349 billion to be shared by both PPP loans and all a loans during the date range above
      * Eligibility:
  + Business was in operation on 2/15/2020 AND
  + Had employees for who it paid salaries and payroll taxes OR paid independent contractors (reported on 1099-MISC)
    - * Interest Rate: 4%
      * Term: Fully amortizing loan term of 10 years
      * Max Loan amount: Average eligible monthly payroll costs, excluding compensation above $100,000 in wages (based on prior 12 months) multiplied by 2.5 (represents months) – plus – the balance of any SBA Loan closed between 1/31/2020 and when this loan will be made, if applicable – OR – $10 million whichever is less.
      * Use of Funds: Allowable uses of the loan include eligible payroll support (eligible employee salaries which excludes compensation above $100,000 in wages, paid sick or medical leave, insurance premiums), interest paid on a mortgage (excludes any prepayment of or payment of principal) or rent, and utility payments. Relief loans are not eligible for business acquisition, real estate purchase, or other typical 7(a) proceeds, but may be eligible for business debt refi’s
      * SBA Fee: None
      * Collateral: None
      * Personal Guarantee: None
      * Prepayment Penalty: None
      * Credit Elsewhere: None (No Min or Max business or personal net worth)
      * Eligible borrowers will be required to make a good faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19; they will use the funds to retain workers and maintain payroll, lease, and utility payments; and are not receiving duplicative funds for the same uses from another SBA program.

**Commonly Asked Questions**

* Should I refinance my home mortgage?
  + With the recent fed drop many people believe that mortgage rates will go down. That is NOT the case. The federal funds rate that went to 0% is for the overnight rate, mortgages are 10, 15 and 30 year which is very different. Today mortgage rates are in the high 3’s low 4’s.
* Since refinancing can cost between 2% and 5% of a loan's principal and—as with an original mortgage—requires an appraisal, title search, and application fees, it's important for a homeowner to determine whether refinancing is a wise financial decision.
* Most bankers (including me) state that if you plan on staying in your home for more than 10 years and your interest rate will give you a 1% change, then it is worth refinancing.
* Another great tool to use is https://www.nerdwallet.com/mortgages/refinance‐calculator to see if it is best for you.

If you want to apply: Based on this information, if you want to move forward with a refinance, Timberland Bank would love to help. I will connect you with a Timberland Bank mortgage lender for more information, application, and details.

* Be aware that Timberland Bank (and every other bank and credit union) will be flooded with requests, so processing (as well as time for an appraisal) will take longer than normal.
* Note that you can’t lock in an interest rate until an appraisal is received by the bank. Rates may tick up (or drop) at that time, remember you are playing the market.

**Should I refinance my commercial real estate or business term loan?**

* Commercial rates are different (and higher) than mortgage. Rates are determined by business industry, guarantor strength, collateral, credit, cash flow and more. You can see that mortgages rates (as of this email) is low 3’s, high 4’s. Commercial rates WILL be higher.
* Just like a mortgage, there are fees associated with each loan product. This will include loan fees (typically 1%) along with any closing costs. You need to see what your breakeven period is in order to understand if this option is right for you.
* Business loans are held by banks and not sold on the secondary market (like residential mortgages). This means that rates can be low, but we will price the loan to ensure it is profitable.
* If you want to apply: Based on this information, if you want to move forward with a refinance, let’s have a conversation Be aware that processing will take longer than normal.
* For real estate loans, appraisers will be at capacity and will take longer to get an appraisal back and expect fees to increase ($2,500‐$6,000).

**What will happen to my savings/CD rates?**

* When rates decline on loans, rates on savings and CDs will also decline. This is because the government is encouraging spending in the economy rather than saving.
* It’s possible that savings accounts rates will be practically 0% and CD rates to be under 1% ‐ that’s the reality.

What are some helpful resources for resiliency and disaster recovery?

* https://wsbdc.org/protect‐your‐business/business‐resiliency/
* https://wsbdc.org/services/grow/resources/disaster‐planning‐and‐recovery/

As always I am here to strategize for all ASA members I can be reached by email at [ptlong@timberlandbank.com](mailto:ptlong@timberlandbank.com). Stay healthy!