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[Blog](#)
[Careers](#)
[Resources](#)


## SBA Loans Offer Flexibility in Challenging Times


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2

# SBA Loans Offer Flexibility in Challenging Times

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With a freshly minted administration in Washington, the Small Business Administration is prepared to tackle the pandemic-scarred woes of our nation's economic heartbeat. For lenders, this means new opportunities to help small business borrowers obtain the funds they need to grow, expand, or simply get back to business following a historically challenging year.

SBA lenders have long understood the benefits these government-guaranteed loan programs offer to both banking institutions and their small business borrowers. They allow lenders to offer qualified borrowers more flexible loan terms and collateral requirements, while providing institutions with guarantees ranging from 50% to 85%, depending on the specific program.

The SBA already played an outsized role in 2020 when it was charged with administering the massive Paycheck Protection Program (PPP) and ensuring that banks were able to funnel hundreds of billions in relief funds to cash-strapped businesses and their employees. Despite technical challenges, the program was widely recognized as a success, and with passage of the [Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act](#) at the end of the year, Congress released an additional \$325 billion in PPP funding, this time aimed at the smallest and hardest-hit businesses.

The Act also provided [emergency enhancements](#) to the SBA's lending programs, including temporary guarantee increases, fee reductions, and deferrals of principal and interest.

### New Enhancements Designed to Support Recovery

Specifically, the SBA is enhancing several features of its flagship 7(a) loan program, including a temporary increase in loan guarantees from 75% (or 85%, depending on loan size) to 90% and reduced or eliminated fees for both the borrower and lender. Fees for the CDC/504 loan program have also been temporarily eliminated.

The Act also extended the Small Business Debt Relief program, Section 1112 of the CARES Act, [deferring payments of principal and interest](#) on new and existing SBA 7(a), 504, and Microloan programs for eligible businesses.

In addition to these temporary enhancements, the SBA has signalled that under the leadership of its new Administrator, [Isabel Guzman](#) (awaiting confirmation as of this writing), it will be heavily focused on increasing lending to businesses in underserved and minority communities.

Your "I"s and Cross Your "T"s

If you are considering offering SBA loans for the first time, it's critical to become familiar with all program guidelines and requirements, including the SBA's latest standard operating procedures for 7(a) and 504 loans. These guidelines are wide-ranging and are particularly valuable in ensuring you perform proper environmental and collateral due diligence before consummating any new deal.

The latest SOP, 50 10 6, was implemented on October 1, 2020, and offers few changes to the prior document's environmental policy. The most substantive changes include an increase to the threshold for determining when to obtain both an Environmental Questionnaire and a Records Search with Risk Assessment (RSRA) from \$150,000 to \$250,000 (unless the property NAICS code falls within an environmentally sensitive industry), and new language that must be included in the Environmental Questionnaire as follows:

*"The undersigned owner(s) and/or operator(s) acknowledge(s) and agree(s) that intentionally falsifying or concealing any material fact with regard to the subject matter of this Environmental Questionnaire may, in addition to other penalties, result in prosecution under applicable law including 18 U.S.C. section 1001."*

Most other changes to the environmental section are cosmetic and consistent with the SBA's desire to streamline the policy and make it more user-friendly for lenders and other key stakeholders.

SBA guaranteed loans offer banks and credit unions a flexible and low-risk way to support small business borrowers during these challenging times. If you haven't yet explored SBA lending, now is a great time to acquaint yourself with this beneficial program.

*Need help navigating the ins and outs of SBA lending compliance? Reach out to your experienced risk management team at ORMS, LLC before jumping into the deep end of the pool. Visit us today at <http://www.orms.com/>.*



Derek Ezovski

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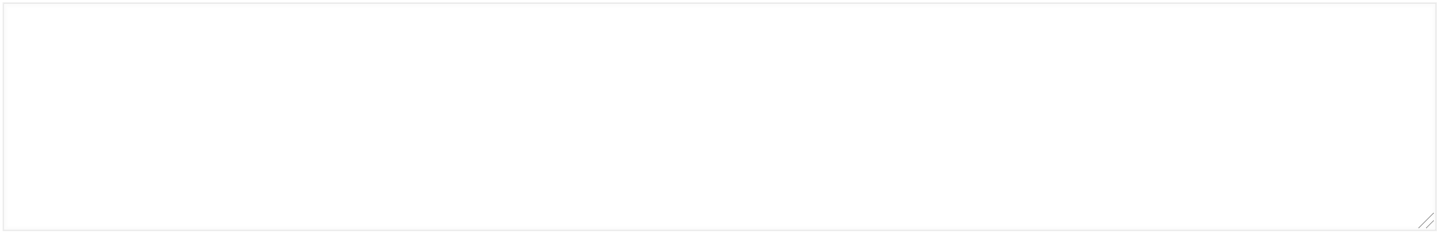
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