

From: Thomas A. Stith III
District Director, North Carolina District Office

In wake of the COVID-19 disaster declaration, the SBA North Carolina District Office has been working tirelessly to ensure details regarding SBA's disaster assistance programs are distributed to the citizens of North Carolina.

Please take this opportunity to review the below message regarding the 7(a) program.

CARES Act 7(a) Deferments

Under the CARES Act, 7(a) Borrowers are relieved of any obligation to pay the principal, interest, and any associated fees that are owed on a 7(a) loan in a regular servicing status (including Community Advantage loans) for a 6-month period beginning with the first payment due on a loan after March 27, 2020. SBA will pay this first loan payment to the Lenders within 30 days of the first loan payment due date after March 27, 2020. If a Lender receives a loan payment from a Borrower after March 27, 2020, the Lender must inform the Borrower that it has the option of the Lender either returning the loan payment to the Borrower or applying the loan payment to further reduce the loan balance after application of SBA's payment. To make the first payment, SBA will need Lenders to provide the gross monthly loan amount due (that includes both the guaranteed and non-guaranteed portions of the loan) as soon as possible to the FTA. SBA will provide further guidance to Lenders on the method and the date by which Lenders must provide the gross monthly loan payment amount.

Any loan made before March 27, 2020 for which a deferment has been granted will still be eligible to receive the benefit of SBA making the loan payments for a 6-month period. Under the CARES Act, the 6-month period of SBA payments will begin at the end of the deferment period. Borrowers may voluntarily decide to end the approved period of deferment early to begin the 6-month period of SBA payments, and Lenders must inform Borrowers that it is their choice to either continue the deferment and begin receiving the SBA payments for 6 months after the period of deferment ends OR end the deferment early to begin receiving the SBA payments. Lenders should also be aware that the CARES Act authorizes SBA, through March 27, 2021, to waive the statutory limits on maximum loan maturities where the lender provides a deferral and extends the maturity of the loan.