Overview of SBA Program

Christina Smaczniak, SBA Lending Manager Lending Options for Small Businesses to Assist during the COVID-19 Impact. These solutions can help your businesses with working capital, payroll, mortgage interest, rent and utility payments as well as a variety of other capital needs. Many small businesses have reached out to us with questions on what assistance is available. We want to provide you with what we know and what we’re hearing to give you insight as to options that are available and some that may be available soon.

Two options I’ll share with you today are the CARES Act, specifically the Payroll Protection Program, as well as the Economic Injury Disaster Loan program. The CARES Act is pending House approval as well as the President’s sign-off. Once approved, the SBA will need to communicate with lenders on the specific program requirements. Some highlights of the Payroll Protection Program include that SBA Lending will be increased to assist more small businesses to retain employees and offer payroll assistance. Guarantee fees that are typically charged on our SBA loans will be waived for the origination under this program. There are no collateral or personal guarantee requirements. Payment deferral options will be 6 to 12 months following the loan origination. Knowing that businesses are experiencing difficult times right now, the payment deferral will give the small business the ability to hold off on making their first principal and interest payments 6 to 12 months following the loan origination.

Loan forgiveness, which many customers have reached out to us about, is equal to the sum of the payroll cost, interest on mortgage obligations, rent, or utilities during the eight-week period beginning the date the loan is originated. It is not loan forgiveness designed to be for the entire loan amount.

Another lending option that the SBA has shared is the Economic Injury Disaster Loan program, otherwise known as EIDL. Businesses are encouraged to apply for loans with their existing lenders before applying for an EIDL loan which is directly with the SBA. This is because lenders have a variety of solutions that can be offered to customers which may not require pledging all available collateral, as well as it could provide them quicker access to capital. In some situations, the customer may want to apply directly with the SBA for an EIDL loan, and that’s okay too.

The SBA is offering designated space and territories federal disaster loans for working capital to small businesses who are suffering substantial economic injury as a result of COVID-19 and when credit is not available elsewhere. Eligibility for working capital loans are based on size and the type of business, as well as the business’ ability to repay the loan through financial resources. The economic injury disaster loans are not applied for with your lender. You’re going to apply directly with the SBA. The SBA will underwrite, decision, and process the loan.

If you want more information on this program, visit disasterloans.sba.gov. There is no cost to apply and no obligation to take the loan if it is offered to you. I do however want to make you aware that loan requests over $25,000 under the EIDL program will require collateral, including real estate. The SBA however will not decline a loan for lack of collateral but will require the borrower to pledge what is available. In addition, some states have state assistance programs that they are providing. To learn more, you can contact your Economic Development Corporation or State Department of Commerce for available programs.
If you’re an existing customer who is experiencing difficulty and you need assistance such as payment deferrals, we can assist you with that as well. Contact your Relationship Manager or Branch Manager for Assistance.

At M&T we have a team of knowledgeable Relationship Managers, Branch Managers, SBA Lending Specialists, and staff that can assist you with quick and easy navigation through the process and get you access to capital quickly and efficiently during this difficult time.

Now I would like to turn it back over to Eric Feldstein and he is going to address some questions that were submitted prior to the call.

Q & A Session

05:18 Eric Feldstein, Head of Business Banking (Host) Yeah thank you Christina, and apologies, I think it was a little silent the first few minutes for those on the call but once again this is Eric Feldstein, Head of Business Banking at M&T Bank. First of all, a huge thank you for each of you being on the line. Time is always sensitive as small business owners and now time is more sensitive than ever. I was really humbled when reading the comments that you sent in and questions with your registration. It’s truly our job as business leaders to make difficult decisions, and many of you today are making decisions you never imagined having to do before. Laying off staff, deferring future plans, closing down for an indefinite period of time...so the small snippet Christina just shared with you in addition to the Q & A that we’ll talk about in a few minutes, in addition to material that we just sent to your attention will hopefully help provide some relief to that uncertainty that each of you are facing on many fronts.

So, with that, I will turn it over to the questions... Christina, first question from one of the colleagues on the phone, a small business owner is: When can I start applying for these programs?

06:38 Christina Smaczniak, SBA Lending Manager So once the CARES Act is approved by the House and signed by the President, lenders are going to have to await the final guidance from the SBA on documentation and process requirements before they can start to leverage the programs. So as long as the CARES Act is approved by the end of the week or early next week, it should take a few business days for lenders to determine what that process looks like, and then we can start to leverage the program that’s available.

07:11 Eric Feldstein, Head of Business Banking (Host) Great thank you, and just following up Christina another question we just got: Is a loan from SBA my only option during this crisis?

07:19 Christina Smaczniak, SBA Lending Manager No, conventional lending can be an option as well. Additionally, there is a variety of state programs. To learn more about these programs available in your state, I would recommend contacting the Economic Development Corporation or State Department of Commerce.

07:37 Eric Feldstein, Head of Business Banking (Host) Great, thank you. Let me turn it over to Sean McCabe, Head of Product Management in Business at M&T Bank. Sean, do we apply for loans directly on the SBA website or through the bank?

07:51 Sean McCabe, Head of Business Product Management Yeah, thanks Eric and great question. If you’re looking to leverage the SBA’s disaster loan EIDL Program, then you would apply for that directly through the SBA’s disaster loan website. I believe that URL will be shared with the attendees as a part of
the materials that get sent out. However, we encourage you to speak with a bank representative first and explore the full range of financing options that M&T has to offer, including applying for an SBA guaranteed loan. This ensures that you’re getting the financing that fits your particular situation.

08:29 Eric Feldstein, Head of Business Banking (Host) Great, thanks Sean. Another question, and I’ll turn it back to Christina Smaczniak, from one of the callers: Can I only use the SBA loan funds for payroll expenses? What about my other costs like rent, insurance, utilities, etc.?

08:46 Christina Smaczniak, SBA Lending Manager Under the CARES Act, which is the Payroll Protection Program, you can use it for payroll, rent, utilities, and mortgage interest as well. Those same uses of proceeds are also available under the EDIL program, or I should say EIDL program. The SBA does offer other programs that can assist with capital for equipment, leasehold improvements, debt refinancing, business acquisitions or expansions, as well as commercial real estate so the Payroll Protection Program as well as the Economic Injury Disaster Loan program are not your only options. There’s conventional methods as well as other SBA programs that are available to lenders.

09:39 Eric Feldstein, Head of Business Banking (Host) Great, thanks Christina. A related question from someone that was submitted around: What conditions do I need to meet to be eligible for the loan forgiveness aspect of the SBA loans under the act? Is it only tied to payroll and the number of employees?

09:58 Christina Smaczniak, SBA Lending Manager So that’s a loaded question. We’re still waiting for guidance from the SBA to better understand what’s going to be required. What we know as of right now is that loan forgiveness will be applied for with a lender and is on the amount equal to the sum of payroll, interest on mortgage obligations, rent, and/or utilities over the eight-week period from the date of loan origination. Documentation will need to be supplied to the lender for review prior to committing to the SBA for loan forgiveness portion, and it must demonstrate that the small businesses retained employees, expenses, and proof of payment of what was sent so then the lender can render a decision and submit it to the SBA.

10:53 Eric Feldstein, Head of Business Banking (Host) Great, thanks Christina and I think to Christina’s point, that clarity and more certainty will hopefully be forthcoming in the days to come, thank you for that explanation. Next, I’ll turn it over to Lauren Tennes... Lauren is Head of Federal Government Relations at M&T Bank. Lauren, this question for you from a caller: What additional legislative or SBA changes can small business owners expect in the coming months or weeks?

11:20 Lauren Tennes, Head of Federal Government Relations Well, currently it depends on how long it takes to contain the virus. The CARES Act is on course to pass the House later today, and President Trump would probably sign it into law immediately. This will be the most significant piece of federal disaster relief passed in our history. It’s more than 10% of the U.S. GDP and according to Treasury Secretary Mnuchin, it should keep the economy afloat for about 3 months. Even before that legislation is passed, the Administration is aggressively implementing the bill. There are a few things to watch. The first is how quickly Treasury can get checks out to individuals. Their goal is to have them delivered within 3 weeks, but the last time this was done back during the financial crisis in 2007-2008, it took two months to send those checks and they have to do better this time. In terms of the Small Business Administration, as Christina and Eric pointed out, they’re already working on guidance that should be available within a few business days of the bill being passed and the good news is that other than providing that initial
guidance for the program, the SBA is then limited to the back end so as soon as they finalize guidance we will be able to begin implementation. So, I don’t necessarily expect another small business loan project or program to be announced but House Speaker Pelosi is already talking about a phase four bill which could happen if the health crisis drags on for very long and if that happens, continued help for small business is definitely going to have bipartisan support.

12:56 Eric Feldstein, Head of Business Banking (Host) Great, thank you so much. I’ll turn it over to Sean McCabe. This is relative to those clients that have financing today with M&T conventional or SBA: I own commercial real estate and my tenants are having trouble making their lease payments. Are there any options for me to defer my commercial mortgage payments... Sean?

13:22 Sean McCabe, Head of Business Product Management Definitely, and it’s a common situation that we’re finding many of our clients in and understandably so, and as such M&T is currently offering the 3-month principal and interest deferments for clients who are impacted by the current Coronavirus situation. In order to execute on that, you should contact your Relationship Manager or Branch Manager and discuss your options for accessing that deferment.

13:56 Eric Feldstein, Head of Business Banking (Host) Great, thanks Sean. Just turning it back to Christina, this is around debt refinancing. We received some questions around that. Can my loans with M&T Bank be refinanced with the SBA loan under the new act? What if they are SBA?

14:13 Christina Smacznia, SBA Lending Manager So unfortunately the SBA is not providing the option to refinance debt as a part of the Payroll Protection Program, nor the Economic Injury Disaster Loan program. If you have loans that you’re looking to refinance I would urge you to speak with your M&T representative to identify alternative lending opportunities. As I stated earlier, there is other financing options such as conventional lending or other SBA programs that may be able to assist you in restructuring debt.

14:49 Eric Feldstein, Head of Business Banking (Host) Great, thanks Christina. Let me turn it back over to Sean McCabe, you know we haven’t talked yet about rates on loans. Will the bank be offering lower interest rates since the government is guaranteeing these loans we’re discussing?

15:07 Sean McCabe, Head of Business Product Management Yeah so, the proposed Paycheck Protection Program which Christina gave us a quick overview on actually sets the maximum interest rate at 4%. So, banks would not be able to charge anything more than 4% for loans enrolled in that SBA program and that 4% is a great rate in any environment. The other SBA programs that the bank participated in and that are available to borrowers, including the SBA Express, will still follow the SBA standard guidelines for allowable interest rate ranges. That information can be found on the SBA’s website.

15:47 Eric Feldstein, Head of Business Banking (Host) Great, thanks Sean. Christina, this is one question I know that we received from many, and rightfully so: Once the application becomes available (and the application at least for the CARE program is not yet available), how long will it take for me to receive decisioning and funding?

16:08 Christina Smacznia, SBA Lending Manager We’re committed to helping our small businesses and helping the communities that we serve. There are many small businesses that have been impacted by COVID-19. The funding will be dependent on how quickly the SBA provides lenders with a direction on
requirements and process. We are expecting a high volume of applications however we are committed to assisting those small businesses with lending needs during this difficult time. It’s really hard to set a specific timeframe around that as it’s going to be dependent on how quickly the SBA acts to an approval of the CARES act, in addition to the influx of small businesses interested in the program and getting them through the process, and providing us as the lender with the information we need to fund the loan.

17:08 Eric Feldstein, Head of Business Banking (Host) Great, thanks Christina and I’ll just, this is Eric just reinforcing that this is something that will continue to be under discussion in the days and weeks to come which is critical to provide the appropriate financing funding to our clients and our industry’s clients in a manner that we can and in the passive manner. With all that being said, just to manage expectations, this is a process. The applications haven’t even been set forth. It’s going to be several days before the SBA legislation is finalized and from there, there will be a significant influx that is going to be required. So, we are fully committed as an organization to work through those requests as soon as possible once those requests do come in so thanks Christina for that response. This, if I can take you back to Sean McCabe: Can my Relationship Manager or Branch Manager assist me in finding opportunities that are not SBA or bank related? Where do I find non-bank opportunities?

18:26 Sean McCabe, Head of Business Product Management Good question. There are numerous state and local agencies out there that have programs designed to assist small businesses, however the bank also has many options for meeting the financing needs of our customers both conventional and through multiple SBA programs that we participate in. We strongly encourage you to reach out to your Relationship Manager or your Branch Manager and have a conversation around your situation first before seeking financing elsewhere. That allows us to take into account the totality of your financial situation with the backdrop of, you know, the existing relationship that you have with the bank. You know, we’re going to know you better than some other state agency so you know, I would encourage folks to talk to us first and then we can talk about alternative options after that conversation.

19:29 Eric Feldstein, Head of Business Banking (Host) Great, thanks Sean. We have many colleagues that are from the 501-C3 or the not-for-profit space, and couple questions related: What programs are available for not-for-profit organizations?

19:49 Christina Smaczniak, SBA Lending Manager Eric, it’s Christina, I’ll take that question.

19:52 Eric Feldstein, Head of Business Banking (Host) Great, thank you.

19:54 Christina Smaczniak, SBA Lending Manager Yeah, no problem! The loan disaster program, or the EIDL program as well as the Payroll Protection Program provided under the CARES Act is offering lending solutions for not-for-profit. Standard SBA programs don’t typically offer SBA solutions for not-for-profits so we were really happy to see that the SBA was aware that there is a need and they’re offering solutions for them at this time.

20:30 Eric Feldstein, Head of Business Banking (Host) Great, thank you so much Christina. There’s a, you know I know you had chatted in some of the remarks on a couple of these questions, but I think these are really important and we got several of these related questions so let me just touch on a couple of them. Number one, are all these loans requiring personal guarantees from majority business owners and are these loans forgiven if no employees get let go?
20:57 **Christina Smaczniak, SBA Lending Manager** So, the personal guarantee is not required under the Payroll Protection Act as of now, however they may be required under the Economic Injury Disaster Loan Program. As for the loan forgiveness, loan forgiveness is not an option under the Economic Injury Disaster Loan Program directly through the SBA, however it is part of the proposal of the CARES Act which includes the Payroll Protection Program.

21:36 **Eric Feldstein, Head of Business Banking (Host)** Great, thank you so much. Just you know, piggy-backing on that question, as a borrower, are we able to choose which SBA approved lender we use or does the SBA assign a lender?

21:51 **Christina Smaczniak, SBA Lending Manager** So, standard SBA programs are typically leveraged by lenders who are approved by the SBA to leverage SBA financing or have a delegated authority under the SBA Administration. M&T is a delegated lender which means leveraging their standard SBA programs, as well as what is being offered under the CARES Act with the Payroll Protection Program, M&T is one of those lenders who can assist you but there are other lenders out there that have this option available to them. However, when you apply for a loan with M&T, the credit application is reviewed by an underwriter and there are times that we can approve it conventionally without the assistance of the SBA, and there’s times where we need the SBA guarantee to help manage some of the risk associated and it’s ultimately the underwriter’s decision if SBA is used or not. If you choose to apply directly with the SBA for the Economic Injury Disaster Loan Program, you will work directly with the SBA and there’s no lender involvement.

23:16 **Eric Feldstein, Head of Business Banking (Host)** Great, thanks Christina. As we wrap it up just a quickie, are these loans collateralized and what if I don’t have any collateral?

23:26 **Christina Smaczniak, SBA Lending Manager** So, under the CARES Act and the Payroll Protection Program there is not a proposed collateral requirement and those can be done unsecured without a personal guarantee of the majority owners. However, based on the information supplied by the SBA on the Economic Injury Disaster Loan program, anything over $25,000 will be required to be collateralized and that may include all available collateral including real estate, and that includes your personal real estate as well.

24:07 **Eric Feldstein, Head of Business Banking (Host)** Great, thank you so much. And just, let me wrap this up, we’re coming up on 11:30. We truly hope you found this call to be informative. In addition, as I had mentioned earlier, there is hopefully you’ll have in your email box some really useful information, both a one-pager as well as a fairly comprehensive document that provides some additional information that Christina and other colleagues had highlighted on the call to give you more information relative to the programs and the options that are available to each of you. A recording of this call is going to be distributed by email in the coming days as well, and we’ll be hosting actually another call next week. It’s going to be really important; Things are going to change, and we’re going to know more, and legislation is going to get finalized. As soon as we have that information, you are such loyal and trusted partners and clients of M&T Bank that we’re really going to do everything we can to share that information as soon as we have that available. So, be sure to be on the lookout for an email and an invite in the coming days on an upcoming call. Let me just finally wrap it up and say... thank you. Thank you for being a loyal client and partner of M&T Bank. These are uncertain times and for those of you that are small business owners, associated with a small business community, these are times that are generational in nature.
and ones that we really need to come together as a community. So, I want to let you know you have a community and friend in M&T Bank, and we’re truly here to support you going forward. So, thank you.