



Ever-Evolving. This is the only phrase we at Aurora Consulting have to describe the lending environment. We're getting lots of questions from business owners, some specific, some very general, as to their ability to finance their businesses through this disaster. We are constantly studying, researching and discussing with Lenders to provide accurate information. But overall, the information we're gathering is best summed up with that expression, "Ever-evolving."

Here are some highlights about the lending environment as of today Thursday March 26th, 2020 according to various lenders with whom we have spoken:

- **Lenders are busy working on SBA deferment requests.** If you have an existing SBA Loan for your business, you're permitted to request a deferment of payments during this disaster. To request a deferment you must make the request directly to your Lender. And that's what is happening: existing SBA loans are requesting deferment and the Lenders are buried with those requests. So, there's no time to entertain new financing requests.
- **Apply for a Disaster Loan TODAY.** Everyone we're speaking to in the lending arena says the same thing: If your business is impacted negatively due to the crisis, apply for EIDL (Economic Injury Disaster Loan) through the SBA. Do that first and foremost, even if you have an existing SBA loan and you wish to request a deferment.
- **Your Current Loan Application is on hold.** If you have an application in process already with a Lender that was submitted before the crisis, the jury is still out as to how Lenders will proceed. For the moment, consider your loan application on "pause."
- **"Strong Businesses Versus Weak Businesses.** The general consensus in the lending world is this: If your business was healthy pre-crisis, then Lenders are looking more favorably at your application. If your business was facing challenges before the crisis, the lenders anticipate that your business may not survive this crisis. Understanding that underlying philosophy will help you understand how a Lender will treat any financing request you present in the short-term. All of this assumes that lending practices return to "normal" sooner rather than later.
- **The longer this crisis unfolds, the more uncertain everything becomes.** Even with a Government guarantee, Lenders won't want to be on the hook for loans that default. Keep that in mind as you determine your survival strategies for your business.



- **It's too soon to know what is available under the new \$2 Trillion assistance package.** There are many layers of this not-yet-signed-into-law bill when it comes to financing available for businesses. Especially when it comes to conditions for approval (maintaining employees on salary is the most-often mentioned condition, but there are others).
- **SBA Opinion Dictates Lending Practices.** Once that bill becomes law, the SBA still must review the law and issue an opinion to Lenders as to how they can proceed with financing under the new law. This SBA opinion becomes the "bible" for Lenders to follow in Underwriting loan requests. Lenders will NOT act on any financing requests until that opinion is issued by the SBA. Period. And Lenders can't answer specific questions about the bill until SBA issues that opinion.
- **Your State And Local Government Options.** Make yourself aware of financing options available through your State and Local Governments. If you're a member of your local Chamber of Commerce, that's probably your best resource for information on State/Local programs.
- **Interest rates.** SBA Disaster Relief Loans (EIDL: Economic Injury Disaster Loans) are loans, not grants. Interest rates are 3.75% 30yr for "for-profit" businesses and 2.75% 30yr for "not-for-profit" businesses.
- **Interest rates on other business financing.** Assuming you can obtain an approval for other types of financing at this time (because your application was submitted prior to the crisis and the Lender acts on approving it), then you should expect the worst when it comes to the interest rate. In short, anticipate that any rate offered to you by a Lender will be "non-negotiable." There is too much uncertainty in the credit markets to allow Lenders flexibility in negotiating terms with borrowers. This may change once the new bill becomes law and the dust settles on the financing options allowed in the new law, but for the moment, you should assume the worst.
- **Remember 2008.** IN any action you take or consider when it comes to financing at this moment, keep in mind what happened in the Residential Mortgage markets in 2008. The landscape was ever-changing, applications with challenging circumstances were not-approvable, lending went to the ultra-ultra-conservative side in the rendering of credit risk decisions, underwriting added "overlays" on top of "overlays" to make approving Residential Mortgages nearly impossible. Assume this is true today and for the foreseeable future in business financing.
- **Control What You Can Control.** When all is said and done, the answers that many business owners need about financing and survivability are not available. Lower your anxiety by assuming the worst case and deciding to control only those things you have direct control over.



- **Other Sources.** Make yourself aware of other sources to obtain capital to help your business survive. Not-For-Profit organizations are providing temporary relief, especially when it comes to helping to save jobs and keep people employed. There are also grants coming available such as through FaceBook and other sources. Peer-To-Peer lending platforms are providing assistance too. Exhaust every possible source for capital to help your business survive.
- **Stay Tuned To Aurora Consulting.** We've shifted our Brokerage business to provide resources, advice, and accurate information to business owners, both our clients and in general. We're not sure how we're going to survive this storm, either, as our Brokerage model has basically been smashed against the rocks. But we're determined to help businesses weather the storm with our experience and knowledge. Linda Rey spent 30 years in the Insurance industry and advised business owners during catastrophes such as Super Storm Sandy; Trevor Curran spent 30 years as a Residential Mortgage Banker, and survived the 2008 meltdown. We're putting that experience to work for you with as many frequent and cogent updates as we can.

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