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CAPITAL FINANCING PRESENTS

Who's Lending?

A guide to getting a loan in a Coronavirus Climate



Who's Lending

TOPICS TO BE COVERED

- What are lenders doing to help with current loans?
- What is the government loans guarantee
- How can you get access to it?
- What do lenders need to approve loans?

What are Lenders doing?

**WHAT ARE LENDERS DOING TO
HELP WITH CURRENT LOANS?**



Lenders are open

**TEAMS ARE WORKING FROM
HOME AND ON ROTATION IN
THEIR OFFICES**

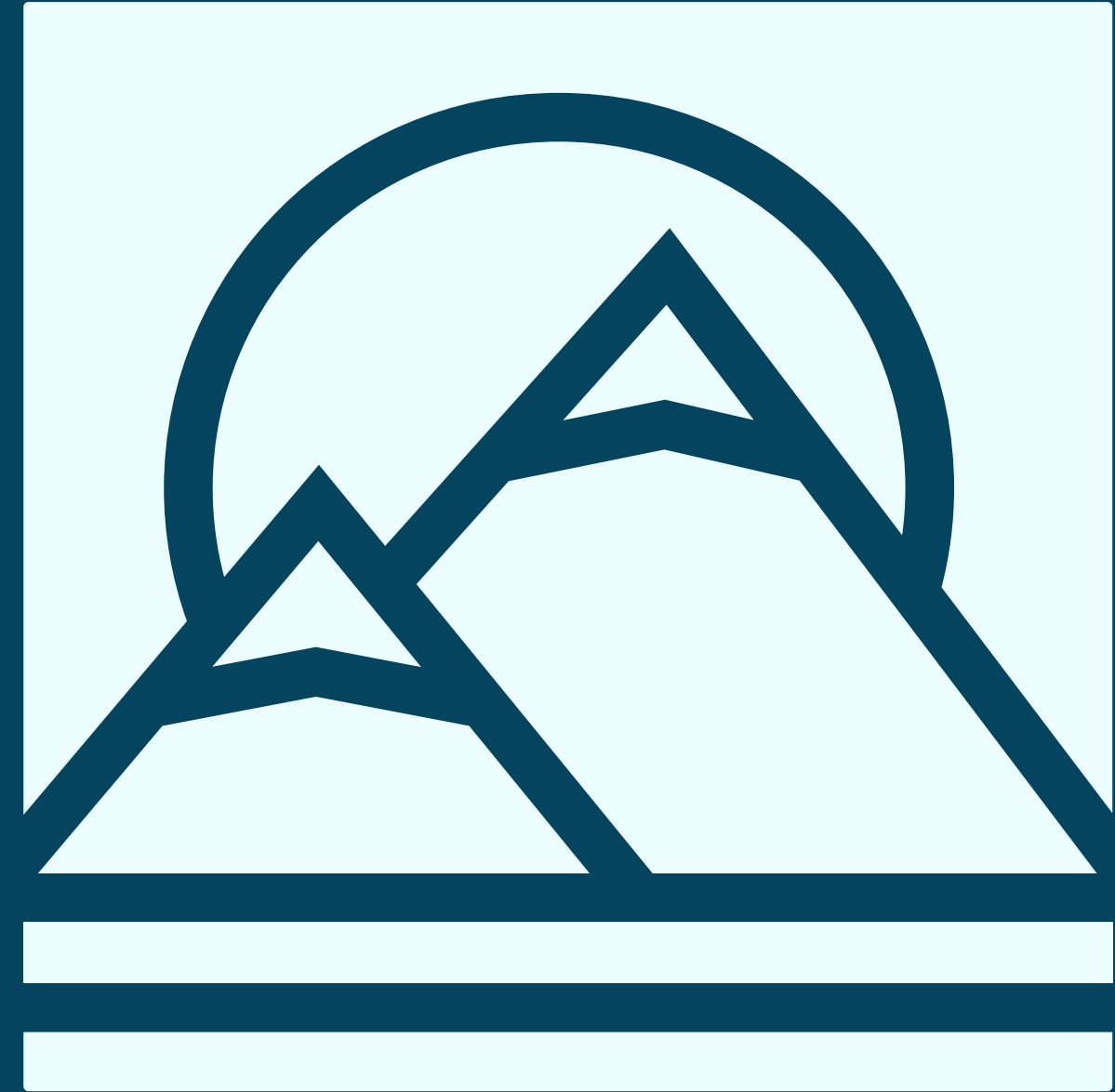


Hardship teams

**HARDSHIP TEAMS ASSESSING
EACH CLAIM CASE BY CASE**

How to get assistance

**CONTACT YOUR LENDER
AND BROKER**



What is the Government Loans Guarantee

THE CORONAVIRUS SME
GUARANTEE SCHEME WILL
PROVIDE SME'S WITH TIMELY
ACCESS TO WORKING CAPITAL



How do you access the Loans Scheme

LENDERS TO EXTEND AND MANAGE LOANS

GOVERNMENT EXPECTS LENDERS TO
SENSIBLY CONSIDER APPLICATIONS

GOVERNMENT TO MAKE OFFERS TO 29
BANKS AND 5 NON- BANK LENDERS



FURTHER INFORMATION

[HTTPS://TREASURY.GOV.AU/CORONAVIRUS/SME-
GUARANTEE-SCHEME](https://treasury.gov.au/coronavirus/sme-guarantee-scheme)

WHAT DO LENDERS NEED TO APPROVE LOANS?

MINIMUM

- 2 Years in business
- \$5,000 p/m T/O
- Good Credit Score

12 MONTHS

- Trading bank statements

2019

- Tax returns
- Business Financials

2020

Year to date financials

WHAT DO YOU DO NOW

Speak to your Accountant
Speak to your Broker
Speak to your Bank

Come in for a chat!

GET IN TOUCH

MAIN BRANCH ADDRESS

Level 2/66 Victor Crescent NarreWarren Vic
3805

PHONE NUMBER

03 8782 3747

EMAIL ADDRESS

info@capitalfinancing.com.au

Getting a Loan in a Coronavirus Climate

- What are lenders doing to help with current loans?
- What is the government loans guarantee and how can you get access to it?
- What do lenders need to approve loans?

What are lenders doing to help with current loans?

1. All the lenders that I have seen are open for business and whilst working remotely are aiming for the levels of service they have always delivered. They have requested that clients are patient as they process the claims and applications that are being submitted.
They are dedicated to working with current clients and new clients to assist them at this time.
2. Hardship teams are working for the clients on a case by case basis and the sorts of things that are being offered are but not limited to:
 - a. A deferral of scheduled loan repayments
 - b. Waiving fees and charges
 - c. Temporary interest only periods to assist the cashflow and
 - d. Debt consolidation to help make repayments more manageable
3. The best way to get assistance through this time is contact your lender direct. They will all have direct emails to hardship teams and the details will be on their websites. If you have used a broker for lending, then whilst they can't represent you directly with the lender you can keep them in the loop and work with them to help you through this time.

What is the government loans guarantee and how can you get access to it?

The Coronavirus SME Guarantee Scheme will provide small and medium sized business with timely access to working capital to help them get through the impact of the Coronavirus.

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- SMEs, including sole traders, with a turnover of up to \$50 million.
- Maximum total size of loans of \$250,000 per borrower.
- Loans will be up to three years, with an initial six-month repayment holiday.
- Unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.
- Loans cannot be used to refinance or service existing loans

The decision on whether to extend credit, and management of the loan, will remain with the lender. However, the Government expects that lenders will look through the cycle to sensibly consider the uncertainty of the current economic conditions when determining whether credit should be extended.

<https://treasury.gov.au/coronavirus/sme-guarantee-scheme>

As at the 9th April the government will make offers to 29 banks and 5 non-bank lenders in response to expressions of interest which will have a total of \$34 billion of potential lending to SME's

A further \$6 billion will be made available to other lenders the government have received applications from and they are currently considering.

Whilst as at the date of this document Treasury has not published the list of participating lenders according to <https://www.finder.com.au/government-backed-business-loans> the following lenders are providing the **Coronavirus SME guarantee scheme**

ANZ

ANZ has confirmed that it will be participating with the scheme. However, it is still finalising how it is planning on providing government-backed loans to its customers. ANZ's COVID-19 support package that is already in place includes:

- 0.25% reduction in variable small business loan rates, effective from 27 March 2020
- 0.5% overall rate cut in March
- 0.8% drop (to 2.59%) for fixed 2-year and 3-year rates for secured business loans up to \$1 million
- Six-month repayment deferrals, with interest capitalised
- Temporary increases in overdraft facilities for 12 months

Bank of Queensland

The Bank of Queensland is offering up to \$250,000 in unsecured overdrafts for new and existing business customers under the Coronavirus SME Guarantee Scheme.

BOQ is also offering the following measures to support existing business loan customers:

- 0.35% p.a. interest rate reduction for business term loans and business overdrafts effective as of 3 April 2020.
- Six month loan repayment deferral
- The ability to switch your repayments to interest only for up to 12 months
- Waiver or deferral for a range of fees and charges

Bankwest

Bankwest has also confirmed that it will be providing lower rate loans that comply with the terms of the scheme. The exact rates of these loans are yet to be released. Bankwest is also providing other support measures to business customers affected by COVID-19, including:

- Six-month deferrals on scheduled loan repayments, including equipment finance loans
- Waiving merchant terminal rental and service fees for 90 days
- Waiving reductions in interest for early pre-payment of business term deposits
- Tailored restructuring options for loan customers
- Waiving establishment fees on overdraft products

Bendigo and Adelaide Bank

Bendigo and Adelaide Bank recently announced that the partnership will be participating in the scheme, but is still finalising the details of the loans. In addition to providing these loans, other coronavirus relief measures for businesses include:

- Six-month deferrals on business loan repayments, including equipment loans for eligible businesses
- Fee waivers for restructuring of consolidation of loans
- Waiver of interest rate reduction for early term deposit withdrawals
- Deferral of interest payments or term extensions
- Waiver or deferral for a range of fees and charges
- A reduction of 1% on residentially secured business loan variable rates
- A reduction of 0.75% on non-residential and unsecured business loan rates

Commonwealth Bank

CommBank announced that it would be making up to \$10 billion in funds available for extra small business loans in line with the scheme. The bank also said that interest rates on the new unsecured loans would be 5 percentage points lower than normal. In addition to these measures, CommBank also has these relief measures in place:

- Six-month deferrals on business loan repayments, including equipment loans (this deferral will be automatic from April to June 2020 and if needed, businesses can opt in for an additional three months)
- Three-month waiver of merchant and terminal fees
- Waiving of early redraw fees for business term deposits

NAB

NAB has also agreed to partake in the government's Coronavirus SME Guarantee Scheme. Business loans up to \$250,000 will be available from NAB at a rate of 4.5% with no repayments for the first six months. The following relief measures are also already in place:

- Three-month deferral on business loan repayments
- Extending business loan terms
- Help with restructuring business and equipment loans
- A deferral on business credit card repayments
- Six-month waiver on terminal rental fees
- A reduction of 1% for variable small business loans (from 30 March 2020)
- A reduction of 2% for new QuickBiz loans and all overdrafts (from 30 March 2020)

Prospera

Prospera recently announced that it too will be participating in the scheme. Details of the new loans that Prospera will be making available are still being finalised.

Other support measures offered by Prospera to its existing business loan customers include:

- Varying repayment deferral periods, based on your individual circumstances, with interest capitalised
- Re-structuring loan terms
- 5% p.a. lower interest rate on the outstanding amount of your loan

St George Bank

St George Bank has also announced that it will be participating in the scheme and loans are available effective as of 23 March 2020.

Additional support measures for businesses from St George Bank include:

- 2% p.a. interest rate reduction on overdrafts for new and existing customers from 6 April 2020
- 1% p.a. interest rate reduction for small business cash-based loans, effective from 6 April 2020
- Six-month deferral on loan repayments for businesses with cash flow issues
- Merchant terminal fee refunds for up to three months
- No establishment fees for equipment finance loans until end of June 2020
- Restructuring and consolidating loans
- Fee free redraw facilities

Suncorp

Suncorp also announced that it will be taking part in the scheme, but is still finalising the details of its loans.

Other measures employed by Suncorp to help small business customers include:

- Six-month deferral on loan repayments, with interest capitalised
- The option to change your repayments to interest-only for up to 12 months
- Reducing rates for new and existing variable secured business loans
- Fee waivers for various business deposit accounts
- Reducing line of credit and small business overdraft rates by 0.3% p.a.

Westpac

Westpac announced its new business loans under the SME Guarantee Scheme on 22 March 2020. These loans will be offered at a 4% p.a. lower rate than Westpac's current unsecured business loan.

Westpac is also offering the following support to business loan customers:

- 1.7% p.a. interest for 12 months on new business term deposits (up to \$500,000 per customer)
- Six-month deferral on loan repayments for eligible businesses
- Merchant terminal fee refunds for up to three months
- 2% p.a. interest rate reduction on overdrafts for new and existing customers, effective 6 April 2020
- 1% p.a. interest rate reduction for small business cash-based loans for new and existing customers, effective 6 April 2020.

Other Lenders I know offering the guarantee scheme are:

Judo Bank

Judo bank are also included in the scheme. Loan structure is similar to the other lenders.

Judo are also offering:

- Will consider a balloon payments at the end of the 3 years
- 6 months interest only payments but will consider longer
- Interest capitalised on the loan.

Liberty

[Liberty](#) Financial's new offering, Liberty Business Care, provides an unsecured term loan of up to \$250,000 for a maximum of three years with the option to defer repayments for the first six months with interest capitalised.

- 4.95% interest
- Unsecured except for directors and shareholders guarantee
- Interest capitalised on the total loan for first 6 months then principle and interest payments for 2.5 years

Moula

Moula's support package for Australian SMEs includes:

- Coronavirus SME Guarantee Scheme loans of up to \$250,000 for new and existing customers
- Repayment relief to defer principal and interest repayments for 6 months (with interest to be capitalised)
- Subject to underwriting criteria, available to SMEs, including sole traders, with a turnover of up to \$50 million
- Unsecured business loans, meaning that borrowers will not have to provide an asset, such as their family home, as security for the loan

New and existing customers are eligible to access the Coronavirus SME Guarantee Scheme, though some restrictions do apply.

A full list of lenders will be published by Treasury once the list is finalised.

Speak to your finance broker, accountant or bank for details.

What do lenders need to approve loans?

Lenders are generally tightening their approval criteria in both consumer and commercial lending.

The following is a list of criteria that lenders are reverting to when lending to a business

- Minimum 2 years in business
- Minimum \$5,000 turn over per month
- 12 months bank statements
- 2019 tax returns
- 2019 financials
- Possibly year to date financials
- Good credit score

If your business was struggling before the current economic crisis hit, then lending is not necessarily your lifer line. Your first conversation should be with a business accountant or business liquidation specialist.

What do you do now?

Speak to your accountant

Speak to your broker

Speak to your bank



Supporting the flow of credit

The Government, Reserve Bank of Australia and the Australian Prudential Regulation Authority have taken coordinated action to support the flow of credit in the Australian economy, in particular for small and medium enterprises (SMEs). Timely access to credit is vital to help SMEs get through the impact of the Coronavirus.

CORONAVIRUS SME GUARANTEE SCHEME

Across the economy, many otherwise viable small and medium sized businesses are facing significant challenges due to disrupted cash flow. At the same time, businesses retain fixed obligations including rent, utilities, and employee expenses.

The Coronavirus SME Guarantee Scheme will provide support for these businesses. Under the Scheme, the Government will provide a guarantee of 50 per cent to SME lenders for new unsecured loans to be used for working capital. This will enhance these lenders' willingness and ability to provide credit, which will result in SMEs being able to access additional funding to help support them through the upcoming months.

SMEs with a turnover of up to \$50 million will be eligible to receive these loans.

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- Maximum total size of loans of \$250,000 per borrower.
- The loans will be up to three years, with an initial six month repayment holiday.
- The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

As part of the loan products available, the Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. This will mean that the SME will only incur interest on the amount they draw down. If they do not draw down any funds from the facility, no interest will be charged, but they will retain the flexibility to draw down in the future should they need to.

The Scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

QUICK AND EFFICIENT ACCESS TO CREDIT FOR SMALL BUSINESSES

The Government is providing an exemption from responsible lending obligations for lenders providing credit to existing small business customers. This exemption is for six months, and applies to any credit for business purposes, including new credit, credit limit increases and credit variations and restructures. Responsible lending obligations do not currently apply to lending which is predominantly for a business purpose, but it can take time and effort for lenders to be satisfied that the money borrowed meets this test. By providing a temporary exemption from responsible lending obligations, this reform will help small businesses get access to credit quickly and efficiently.

SUPPORTING THE FLOW AND REDUCING THE COST OF CREDIT – RESERVE BANK OF AUSTRALIA

The Reserve Bank of Australia (RBA) announced a package on 19 March 2020 that will put downward pressure on borrowing costs for households and businesses. This will help mitigate the adverse

consequences of the Coronavirus on businesses and support their day-to-day trading operations. The RBA is supporting small businesses as a particular priority.

The RBA has announced a term funding facility for the banking system. Banks will have access to at least \$90 billion in funding at a fixed interest rate of 0.25 per cent. This will reinforce the benefits of a low cash rate by reducing funding costs for banks, which in turn will help reduce interest rates for borrowers. To encourage lending to businesses, the facility offers additional low-cost funding to banks if they expand their business lending, with particular incentives applying to new loans to SMEs.

In addition, the RBA announced a further easing in monetary policy by reducing the cash rate to 0.25 per cent. It is also extending and complementing the interest rate cut by taking active steps to target a 0.25 per cent yield on 3-year Australian Government Securities.

SUPPORTING NON-ADI AND SMALLER ADI LENDERS IN THE SECURITISATION MARKET

The Government is providing the Australian Office of Financial Management (AOFM) with \$15 billion to invest in structured finance markets used by smaller lenders, including non-Authorised Deposit-Taking Institutions (Non-ADI) and smaller Authorised Deposit-Taking Institutions (ADI). This support will be provided by making direct investments in primary market securitisations by these lenders and in warehouse facilities.

AOFM's investment will not be limited to residential mortgage backed securities. AOFM will also be purchasing assets that support small business (unsecured and secured loans) and consumer lending (including credit cards, automobiles and personal loans).

This program will assist smaller lenders, who will not benefit from the RBA's term funding facility, to maintain access to funding and support competition in the lending market. This in turn will help keep mortgages and other borrowing costs for businesses low.

ENSURING BANKS ARE WELL PLACED TO LEND – AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

The Australian Prudential Regulation Authority (APRA) has announced temporary changes to its expectations regarding bank capital ratios. The changes will support banks' lending to customers, particularly if they wish to take advantage of the new facility being offered by the RBA.

FOR MORE INFORMATION

For more information on the Australian Government's Economic Response to the Coronavirus visit treasury.gov.au/coronavirus.

Businesses can visit business.gov.au to find out more about how the Economic Response complements the range of support available to small and medium businesses.

For more information on the Reserve Bank of Australia's announcement visit: <https://www.rba.gov.au/mkt-operations/announcements/term-funding-facility-to-support-lending-to-australian-businesses.html> and <https://www.rba.gov.au/mkt-operations/announcements/rba-purchases-of-government-securities.html>.

For more information on Australia Prudential Regulation Authority's announcement visit: <https://www.apra.gov.au/news-and-publications/apra-adjusts-bank-capital-expectations>.