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Brother INSERT\_LAST\_NAME,

The primary concern from the impact of the coronavirus pandemic is the health and safety of humans everywhere and I am sure you join me in that sentiment. The secondary effect of the coronavirus outbreak has been the sizable economic interruption which you surely have followed as well. With campuses shuttering operations, asking students to return home, and many (if not all) of Sigma Chi's housing entities having taken similar approaches, the international fraternity is aware that there may be some house corporations in a distressed position. The purpose of this message is to provide you some guidance as to what opportunities may exist for relief for your house corporation, depending on the unique situation in which each of you find yourselves.

***None of this information should be construed as legal advice to your individual house corporation and we encourage you to seek independent counsel so you can arrive at the best solution for you.***

## 1. Contact Your Lending Bank

These are unprecedented times for nearly every living person. At the policy level, the financial sector is changing nearly daily. It is impossible to predict what will happen. However, if you have a mortgage or any kind of debt obligation to a lending institution, it is worth taking the time to call your lender and explore options or seek relief. Many different strategies and options exist. A few examples are included below:

- a. Seek forbearance on your loan. Under forbearance, your loan payments are postponed (or reduced) but interest continues to accrue during the period of forbearance. If you don't pay the interest during that period, the interest may be "capitalized," which means it is added to your principal balance.
- b. Refinance. Your bank may also be willing to refinance your loan given the unprecedented economic situation which may serve to provide you with some short-term cash flow and/or reduced payments.
- c. Seek a line of credit. As the global economic situation remains in flux, this may or may not be a strategy banks would be willing to explore with you but, if they are willing, it may help solve short-term financial needs.

## 2. Small Business Interruption Loans

As I'm sure you've heard, the U.S. Senate today is wrestling again over a sorely-needed stimulus package aimed at infusing somewhere between \$1.2 and \$1.8 trillion into the U.S. economy. Germane to you, among the packages being considered is the possibility of small business interruption loans to be made available to companies of less than 500 employees. *Caveat: our information is accurate as of Friday and we will not know what the final bill we contain until it is introduced and some form of compromise between Republicans and Democrats is reached.* However, both Republicans and Democrats apparently agree on the relief aimed at "Main Street" – which includes you. Importantly, a key component of this relief is a piece of legislation that will allow for forgiveness for the portion of any loan taken out that is used on specified expenses. This information is still subject to change based on whatever the final version might look like. Further, it is important to note that whatever relief is offered is anticipated to be just a very small fraction (maybe 1% or less) of the actual need of the small business community. Ergo, you may not be able to receive all or even any of what you apply for – but you will surely receive no aid if you don't apply and your chances are best if you get applications in early – so I encourage you to be prepared. The summary of the version of the bill introduced on Friday germane to this

subject is included immediately below. We will follow-up again with more information once a stimulus bill actually gets executed.

#### **Small Business Interruption Loans (summary)**

Eligibility for these small business interruption (SBI) loans will expire on December 31, 2020, and is limited to businesses with less than 500 employees. The maximum loan amount will be four times the business's average monthly expenses (payroll, mortgage, rent, payments on debt obligations) for the preceding year, or \$10 million, whichever is less. Loan proceeds may be used for: (1) debt obligations incurred before March 1, 2020; (2) payroll support; (3) employee salaries; (4) mortgage payment; (5) rent; and (6) utilities. Loans would be backed by a 100% federal guarantee through December 31, 2020, at which time the guarantee percentage would revert to the standard Section 7(a) loan guarantee. A borrower who receives an SBI loan to pay employee salaries, payroll support, mortgage payments, and other debt obligations may **not** also receive an SBA economic injury disaster loan (EIDL) for the same purpose (see #3, below).

The bill also would seek to streamline processing by delegating authority to make and approve loans to qualified lenders (thus eliminating the need to go through SBA), waiving both fees for both borrowers and lenders, and limiting consideration only to whether the borrower was in operation on March 1, 2020, and had employees for whom the borrower paid salaries and payroll taxes.

Finally, and of real significance, the bill provides that loans will be eligible for a complete payment deferment for up to one year, as well as forgiveness for the total amount borrowers spent on payroll costs between March 1 and June 30, 2020, and payments made between March 1 and June 30, 2020, on debt obligations incurred prior to March 1, 2020. However, the total amount of potential loan forgiveness will be reduced proportionately to any reduction in the borrower's number of employees, and a reduction would also apply if employees' salaries are reduced by more than 25%.

### **3. Economic Injury Disaster Loans**

The U.S. Small Business Administration ([SBA](#)) [has revised the criteria](#) for states seeking an economic injury declaration related to COVID-19 to make it easier to qualify. This criteria will likely evolve in the coming days as Congress passes modifications to the legislation and stimulus packages and injects hundreds of billions of dollars into the program. Fraternity and Sorority house corporations MAY be eligible for up to a \$2 million dollar loan through the Economic Injury Disaster Loans program. I strongly encourage you to apply for support as soon as possible if you think you are eligible and this appears advantageous to you because the new criteria to come may or may not be as favorable and demand for this program is likely to soon far outstrip financial capacity.

The SBA says this about the Economic Injury Disaster Loans: "These loans are for small businesses, agricultural cooperatives, aquaculture enterprises **and nonprofits** affected by disaster to help meet working capital needs or normal business operating expenses through the recovery period. Businesses are eligible for these loans regardless of whether or not they have suffered property damage." A helpful one-pager with information about the process can be found here: <https://disasterloan.sba.gov/ela/Documents/SBA-Disaster-Assistance-Loans-Businesses-Nonprofits.pdf>

### **4. Contact Constantine Housing Initiative (CHI)**

Managing Director of Business Development and Finance, [Joe Fiore](#), is the best person to speak with. CHI can work with you on assessing what might be a plausible option for you given your unique circumstances. They can also discuss with you the possibility of a loan if that might be of mutual benefit.

In Hoc,



Michael J. Church, **ILLINOIS 2005**  
Executive Director

**Cc: Grand Council**

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