



SME GUARANTEE SCHEME

COVID-19 RESPONSE



FEDERAL

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.



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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.

HOW TO APPLY

If you're interested in the Coronavirus SME Guarantee Scheme you should approach your financial institution for more information. The Government is working with banks and other lenders to ensure loans are available as soon as possible.

FAQS

How will the Scheme help businesses facing cash flow difficulties?

Under the Scheme, the Government will support unsecured loans of up to \$250,000 to small and medium sized businesses. The loans are intended to provide for businesses current and upcoming cash flow needs, including rent and staff expenses.

The loans will be available with a term of up to three years. A six month repayment holiday will be available on all loans.

Am I eligible for the Scheme?

The Scheme is available to all active Australian businesses with turnover of less than \$50 million in the previous financial year or expected turnover of less than \$50 million in the current financial year. Both self-employed individuals and non-profit businesses are eligible.



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Access to the loans is ultimately a decision for participating lenders. Credit assessment processes will be undertaken; however lenders are expected to look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

How do I access the Scheme?

Loans backed by the Scheme will be made available via commercial lenders. The Government is not directly participating in the lending process. Businesses wishing to apply should contact their current financial institution or any other participating lender. Access to the loans is ultimately a decision for participating lenders. Credit assessment processes will be undertaken; however lenders are expected to look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

If your current financial institution is not participating, loans will be available via other lenders. Participating lenders are required to consider applications from new customers.

When can I access the Scheme?

Loans backed by the Scheme will be made available through participating bank and non-bank lenders. A list of participating lenders will be available on this website once approved. The Government is not directly participating in the lending process.

If your current financial institution is not participating, loans will be available via other lenders. Participating lenders are required to offer loans under the Scheme to new customers.

Which lenders are offering loans under the Scheme?

The Government is yet to finalise the list of participating lenders. This will be published on this webpage.

What type of loans are available?

Loans must be used for business purposes only and must be used to support current and upcoming cash flow needs (for example, rent and staff expenses).

The loans will be unsecured, meaning that businesses will not need to provide an asset as security. A range of loan types may be made available, including overdrafts and term loans. Credit card facilities (including charge cards) are not eligible under the Scheme.



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In particular, the Government encourages lenders to provide facilities that only have to be drawn if needed by the SME, such as overdrafts. This will mean that the SME would 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 funds should the need arise.

What are the interest rates of the loans?

Interest rates will be determined commercially by lenders. Businesses are encouraged investigate options before committing to a loan under the Scheme.

What happens if I cannot repay the loan?

Borrowers are fully responsible for repaying the loans made under the Scheme. If the borrower is unable to meet repayments, lenders will follow usual default processes.

I am not-for-profit. Am I eligible for the Scheme and how do I access it?

Not-for-profits are eligible for the Scheme, provided they have turnover of less than \$50 million and have an ABN. As is the case for other businesses, non-profit bodies will be eligible for loans of up to \$250,000 via commercial lenders participating in the Scheme.

Non-profit bodies seeking to apply for the Scheme should contact their current financial institution or any other participating lender.

My business has been affected by Coronavirus, but I do not want to take out a loan. Am I eligible for other assistance?

The Australian Government is supporting Australian businesses to manage cash flow challenges and retain employees. Assistance includes cash flow support to business and temporary measures to provide relief for financially distressed businesses.



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