

# GOVERNMENT INTRODUCES CORONAVIRUS SME GUARANTEE SCHEME FOR BANK LOANS

In light of the economic impact from COVID-19, the federal government will provide a guarantee of 50 per cent to registered lenders to support short-term unsecured loans to small and medium enterprises (SMEs).

This measure will assist otherwise viable businesses to meet short-term cash flow issues.

## **SMEs WITH TURNOVER UP TO \$50M:**

SMEs that have a turnover of up to \$50m will be eligible under this scheme. The Government will provide eligible lenders with a guarantee for loans with the following terms:

- loans of up to \$250,000 per borrower
- loan duration will be up to three years, with an initial 6-month deferment of loan repayments
- after the initial 6-months, the next 6-months will be interest-only repayments
- the remaining final two years will be principal and interest repayments
- loan will be an unsecured loan, which means that the borrower does not have to provide an asset as security, and
- loans will be subject to the lender's credit assessment.

The government will also encourage lenders to provide the loans akin to a line of credit, where the SME will only incur interest in the amount they draw down. The scheme will commence early April 2020, and the last day for lenders to provide new loans will be until 30 September 2020.

The Coronavirus SME guarantee scheme will reduce the risk to the lenders as the government is in fact underwriting 50 per cent of the loan. As per a big four bank's announcement, this will result in an interest rate from about 9 to 9.5 percent to drop to as low as 4 per cent, drastically reducing the cost of borrowing for the eligible SME.

Eligible SMEs are encouraged to apply directly to the participating bank of their choice in order to access this scheme.

## **WHAT YOU NEED TO DO:**

SME business owners are advised to take up this scheme, as it will in effect give the business a concessionary line of credit for up to \$250,000 to meet any short-term cash flow obligations. This, together with the other economical relief measures from the federal, state and territory governments, will enable the business to remain solvent during this time of trading difficulty.

Business owners are encouraged to apply for the scheme once it is made available in early 2020, directly to the participating bank of their choice, where the business will be subject to the lender's normal credit assessment procedures.

The scheme will complement the announcements made by the government to cut red-tape to allow SMEs to access credit quicker.

## **HOW CAN WE HELP?**

If you are concerned about how COVID-19 is affecting your business, please feel free to give me a call to arrange a time to meet so that we can discuss your particular requirements in more detail.  
Ph 02 9135 8450

This fact sheet contains general advice only and does not take into account particular objectives, financial circumstances and needs. The information provided in this fact sheet is not a substitute for legal, tax and financial product advice. Before making any decision based on this information, you should always seek professional advice from a solicitor, accountant or financial advisor for your particular circumstances.

