



## **Newtek Business Services Corp. Outlines Sections of the \$2.0 Trillion Coronavirus Stimulus Package as it Relates to its SBA 7(a) Business**

March 30, 2020

BOCA RATON, Fla., March 30, 2020 (GLOBE NEWSWIRE) -- [Newtek Business Services Corp.](#) (NASDAQ: NEWT), an internally managed business development company ("BDC"), today outlined sections of the recently passed Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the \$2.0 trillion stimulus package, that relate to the efforts of Newtek Small Business Finance ("NSBF"), Newtek's nationally licensed U.S. Small Business Administration ("SBA") lender subsidiary, to support American small businesses in these challenging times.

Pursuant to the CARES Act, Section 1112, Congress has determined that all existing borrowers under the SBA Section 7(a) program are adversely affected by COVID-19, and are therefore entitled to a subsidy in the form of relief payments. Specifically, the CARES Act provides that the SBA will pay the principal and interest on any existing and current SBA 7(a) loan for a period of six months. These principal and interest payments will be made by the SBA directly to the SBA 7(a) lender and will begin with the next payment due. These payments will not constitute new loans for NSBF, but simply payments of principal and interest on loans that already exist in Newtek's SBA 7(a) loan portfolio and are current on borrower payments.

In addition, in an effort to provide cash flexibility to U.S. small businesses impacted by the uncertainty of current economic conditions that make it necessary to borrow funds to support the ongoing operations of the business, by way of Section 1102 and 1106 of the CARES Act, Congress has created, and tasked the SBA and U.S. Treasury with implementing, the Paycheck Protection Program ("PPP"). The PPP will serve as the vehicle to enable SBA 7(a) lenders to make \$350 billion in SBA 7(a) loans to U.S. small businesses now through June 30, 2020. The PPP will provide cash flow assistance through newly issued SBA 7(a) loans made by SBA 7(a) lenders to small businesses for the purposes of maintaining their payroll, paying their rent and utilities, and certain other costs. PPP loans will be 100% federally guaranteed. This \$350 billion in funding will provide small businesses with loans in the amount of 2.5 times their average monthly payroll costs; and, if the borrower maintains certain payroll and headcount levels during the eight-week period following the origination of the PPP loan, the principal of the PPP loan used for certain costs, including, payroll, rent, utilities and, interest on mortgage obligations, will be forgiven. Congress has stated that they believe these PPP loans will help workers remain employed and affected small businesses remain operational supporting the U.S. economy's recovery.

Barry Sloane, Chairman, President and Chief Executive Officer said, "We applaud Congress and the President for recognizing the importance of the small- and medium-sized business market ("SMB") in the U.S. with the approval of the CARES Act, as well as recognizing the critical role the U.S. Small Business Administration plays in maintaining and strengthening the U.S. economy. This legislation confirms that our mission to finance and provide business solutions to this vital part of the U.S. economy is not only worthwhile to our shareholders, but is highly relevant to the U.S. economy's overall health and recovery. According to the SBA, 9 out of 10 U.S. businesses are defined as small, with 500 employees or less, and represent approximately 50 percent of non-farm GDP. The funds made available by the CARES Act for SMB's through our SBA 7(a) lending platform, as well as directly from the SBA through their economic injury disaster loans, demonstrate the significance of our client base and the SBA to the U.S. economy, and the lengths which Newtek, in partnership with the SBA, will work to service and support the U.S.-based SMB market."

Mr. Sloane continued, "Under one section of the CARES Act, Newtek's existing SBA 7(a) loan portfolio of current borrowers will be supported by the SBA making six-months of principal and interest payments on the borrowers' behalf directly to NSBF. This will assist our current borrower base coming out of March with additional financial flexibility to make loan payments and preserve their cash flow for other working-capital purposes, such as maintaining their employees on payroll, as the economy recovers in their local markets".

Mr. Sloane added, "In a separate section of the CARES Act, the U.S. Treasury is releasing \$350 billion in capital through the PPP so SBA 7(a) lenders can originate SBA 7(a) loans for pandemic-affected businesses. With NSBF's unique non-bank SBA 7(a) license with delegated authority to originate SBA 7(a) loans, the PPP will enable us to originate SBA 7(a) loans to businesses with 100% government guarantees. The 100% government guarantee will allow us to finance these loans without long-term capital as these loans will be available for sale into the secondary market. We will receive fee and servicing income for these loans, which is different than the usual SBA 7(a) financing which requires a 25 percent capital investment in the unguaranteed portion of the loan. These newly originated loans will give our existing and new clients 2.5 times their average monthly payroll expense to pay for wages, rent, utilities and other costs, and, if the borrower maintains certain payroll and headcount levels during the eight-week period following the origination of the loan, the principal of the loan used for these costs would be forgiven. In addition, during this period of time, we will continue to focus on our usual offering of SBA 7(a) loans, that carry a 75% government guarantee, and our portfolio company, Newtek Business Lending (NBL), will continue to focus on originating SBA 504 loans. Our emphasis during the next two quarters will be on our partnerships with, and provision of capital to, businesses through these government-guaranteed programs."

Mr. Sloane further commented, "In addition to the need for adequate financing, the coronavirus has also underscored the need for businesses to establish a safe and secure technological platform to conduct their operations and enable their staff to work from home in a safe, efficient and effective manner. Furthermore, the need for restaurants and retailers to expand their ecommerce and home-delivery capabilities has increased dramatically. As a result of these changing and magnified needs, our managed technology solutions portfolio company, Newtek Technology Solutions, based in Phoenix, AZ, has been very busy fulfilling these needs, providing solutions for a multitude of our clients."

Mr. Sloane concluded, "The economic disruptions caused by the coronavirus has caused us to readjust our financial and business models. As a result, we are withdrawing our 2020 annual dividend forecast, which we issued in November of 2019. The mix and makeup of our business model in pricing and volume as well as the expense ratios of our SBA 7(a) business will change. Over the last month, we and our portfolio companies have been able to reduce approximately \$2.0 million of annualized expenses, which we believe will help our earnings going forward. We plan to provide new

guidance to our investors during our first quarter 2020 earnings conference call. We look forward to reporting our efforts and future prospects at that time, which currently appear promising coming out of these challenging times.”

#### **About Newtek Business Services Corp.**

[Newtek Business Services Corp.](#), Your Business Solutions Company®, is an internally managed BDC, which along with its controlled portfolio companies, provides a wide range of business and financial solutions under the Newtek® brand to the small- and medium-sized business (“SMB”) market. Since 1999, Newtek has provided state-of-the-art, cost-efficient products and services and efficient business strategies to SMB relationships across all 50 states to help them grow their sales, control their expenses and reduce their risk.

Newtek’s and its portfolio companies’ products and services include: [Business Lending](#), [SBA Lending Solutions](#), [Electronic Payment Processing](#), [Technology Solutions \(Cloud Computing, Data Backup, Storage and Retrieval, IT Consulting\)](#), [eCommerce](#), [Accounts Receivable Financing & Inventory Financing](#), [Insurance Solutions](#), [Web Services](#), and [Payroll and Benefits Solutions](#).

[Newtek®](#) and Your Business Solutions Company®, are registered trademarks of Newtek Business Services Corp.

#### **Note Regarding Forward Looking Statements**

*This press release contains certain forward-looking statements. Words such as “believes,” “intends,” “expects,” “projects,” “anticipates,” “forecasts,” “goal” and “future” or similar expressions are intended to identify forward-looking statements. All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from the plans, intentions and expectations reflected in or suggested by the forward-looking statements. Such risks and uncertainties include, among others, intensified competition, operating problems and their impact on revenues and profit margins, anticipated future business strategies and financial performance, anticipated future number of customers, business prospects, legislative developments and similar matters. Risk factors, cautionary statements and other conditions, which could cause Newtek’s actual results to differ from management’s current expectations, are contained in Newtek’s filings with the Securities and Exchange Commission and available through <http://www.sec.gov/>. Newtek cautions you that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected or implied in these statements.*

SOURCE: Newtek Business Services Corp.

#### **Investor Relations & Public Relations**

Contact: Jayne Cavuoto

Telephone: (212) 273-8179 / [jcavuoto@newtekone.com](mailto:jcavuoto@newtekone.com)



Source: Newtek Business Services Corp.