

# Coronavirus SME Guarantee Scheme

## Phase 2- Information for SMEs

### [Eligible businesses](#)

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 are eligible to apply for loans under the Scheme. Both self-employed individuals and non-profit businesses are eligible.

Businesses that have accessed loans in Phase 1 can also apply for loans in Phase 2.

### [Application period](#)

Loans under the Scheme are available from 1 October 2020 until 30 June 2021.

### [Applying for a loan](#)

#### 1. **Approach a lender**

Loans backed by the Scheme will be available through participating commercial lenders. The Government is not directly participating in the lending process. View the list of [Participating Lenders in Phase 2](#).

#### 2. **Lender makes a decision**

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 take into account the uncertainty of the current economic conditions.

#### 3. **If a lender declines your application or you are not satisfied with the product on offer, you can approach other lenders**

Businesses are encouraged to shop around and compare products offered by different participating lenders. View the list of [Participating Lenders for Phase 2](#).

The Government has also introduced a range of other measures to support businesses. More information on other forms of government assistance is available on the [Businesses and employers page](#).

## Eligible loan uses and products

Lenders can offer any product suitable to the borrower, with the exception of credit cards, charge cards, debit cards or business cards. Loans issued in Phase 2 may take any other form of credit, provided the Scheme's eligibility criteria are met.

Loans issued under the Scheme can be used for a broad range of businesses purposes (including to support investment) but **cannot** be used for to:

- purchase of residential property;
- purchase of financial products;
- lending to an associated entity; or
- lease, rent, hire, hire-purchase existing assets that are more than half way into their effective life.

Borrowers can seek to refinance an existing Phase 1 loan into Phase 2 loan. Borrowers may also refinance a Phase 2 loan between different participating lenders during the application period of 1 October 2020 and 30 June 2021. Loans issued under the Scheme cannot be used for any other refinancing purposes.

## Interest rates and fees

The interest rate on loans will be determined by lenders, but will be capped at around 10 per cent, with some flexibility for interest rates on variable rate loans to increase if market interest rates rise over time.

Lenders must disclose the effective loan interest rate to the borrower at the time of the loan agreement.

Fees will be determined by lenders but can only be charged to the extent they are consistent with fees on similar loans outside the Scheme. No fees are permitted to be applied to undrawn facilities.

## Loan security

- Both unsecured and secured lending will be permitted under the Scheme.
- Lenders are permitted to take guarantees.

- For secured loans, lenders will be permitted to take any security except residential property.

## Consideration by the Australian Financial Complaints Authority (AFCA)

The Treasurer has varied the authorisation conditions for the Australian Financial Complaints Authority (AFCA) Scheme to limit the matters that AFCA can consider in relation to certain decisions made by lenders under the Coronavirus SME Guarantee Scheme.

Under the [AFCA Scheme Authorisation \(Additional Condition\) Amendment 2020](#), the AFCA Scheme Rules have been amended to limit AFCA's ability to consider decisions made by the lender about whether to provide a loan (and the amount of the loan) under the Coronavirus SME Guarantee Scheme and ensure that when making assessments or determinations about a complaint, AFCA gives consideration to the impact of the Coronavirus on the economy and the intent and requirements of the Scheme.

The amendments to AFCA's authorisation conditions also apply to decisions made by lenders (all lenders and not only those lenders that are participating lenders under the Scheme) to approve repayment deferrals for businesses in response to the coronavirus crisis. The amendments exclude from AFCA's remit complaints in relation to decisions by lenders to offer repayment deferrals to businesses impacted by the coronavirus, and any consequential change to the amounts payable under the loan or the duration of the loan.

The changes to the AFCA Scheme Rules apply to complaints made from 25 April 2020.

Further information on these changes is available from [AFCA](#).

## Frequently asked questions for businesses

### **Can I take out loans under both phases of the Scheme? If so, how much can I borrow under Phase 2?**

Businesses that have accessed loans in Phase 1 can apply for additional loans of up to \$1 million in Phase 2. Further, businesses that have accessed loans in Phase 1 can seek to refinance Phase 1 loans into Phase 2 loans.

Businesses can take out multiple guaranteed loans with either the same lender or multiple lenders, provided the total amount does not exceed \$1 million per borrower in Phase 2.

### **What 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 a 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. Non-profit bodies seeking to apply for the Scheme should contact a participating lender.

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

The Government has also introduced a range of other measures to support businesses. More information on other forms of government assistance available on the [Businesses and employers page](#).

**Will borrowers or guarantors be able to make complaints to the Australian Financial Complaints Authority (AFCA) with respect to loans made under the Coronavirus SME Guarantee Scheme?**

Borrowers will still be able to make complaints to AFCA with respect to loans made under the Coronavirus SME Guarantee Scheme, however AFCA will not take into account decisions to lend under the Scheme or the amount of a loan. Borrowers will still be able to have complaints heard by AFCA for other decisions of the lender, such as issues related to hardship or enforcement.

If the lender requires a guarantee for a loan under the Scheme, the guarantor will still be able to make complaints to AFCA with respect to this decision.