

# CORONAVIRUS (COVID-19): SMALL BUSINESS GUIDANCE & LOAN RESOURCES

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*HEALTH AND GOVERNMENT OFFICIALS ARE WORKING TOGETHER TO MAINTAIN THE SAFETY, SECURITY, AND HEALTH OF THE AMERICAN PEOPLE. SMALL BUSINESSES ARE ENCOURAGED TO DO THEIR PART TO KEEP THEIR EMPLOYEES, CUSTOMERS, AND THEMSELVES HEALTHY.*

# CARES ACT

## INTRODUCTION

- Loan Payment Deferrals
- Economic Injury Disaster Loans
- Quick Loan
- Paycheck Protection Program

# CARES ACT

## LOAN PAYMENT DEFERRALS PROGRAM

- Federal and state banking regulatory agencies have issued a joint letter to financial institutions, strongly recommending lenders work with borrowers to offer loan modifications in response to the COVID-19 pandemic.
- Such deferments neither impact the lender's standing with bank regulators, nor reflect negatively on the borrower's credit score.
- Banks and lenders are working with the SBA to defer payments on loans for up to 6 months
- Interest would continue accrue during the 6-month period
- Allows business to hold on to needed capital for a short period of time

# CARES ACT

## LOAN PAYMENT DEFERRALS PROGRAM

Small businesses with existing loans may be able to reduce their monthly outlay of cash by getting their loan payment(s) deferred.

### Existing SBA loans

- 7(a), 504 or Microloans: Loan payments can be deferred up to six months. Business owners should talk with their lenders and ask for a loan modification.
- Existing Disaster Assistance Loans: SBA is automatically deferring payments on all outstanding disaster loans through December 31, 2020.

### Non-SBA Business Loans

- Borrowers can discuss with their banker/lender the option to defer loan payments. The length of any deferment would be determined by the bank or lending institution.

# CARES ACT

## ECONOMIC INJURY DISASTER LOANS

**These Economic Injury Disaster Loans (EIDLs) are specifically available to the following organizations that have been directly affected by the disaster.**

- Small businesses within the SBA Size Standards (visit <https://www.sba.gov/size>)
- Small agricultural cooperatives & aquaculture businesses
- Private non-profit organizations (regardless of size)

**What are some types of organizations that are ineligible to receive an Economic Injury Disaster Loan?**

- Religious organizations
- Charitable organizations
- Gambling concerns (i.e., businesses that derive more than 1/3 of their annual gross revenue from legal gambling activities)

# CARES ACT

## ECONOMIC INJURY DISASTER LOANS

- Small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to \$2M.
- The loans may be used to pay fixed debts, payroll, accounts payable, or other bills that can't be paid because of the COVID-19 outbreak.
- The interest rate is 3.75 percent for small businesses without credit available elsewhere, and businesses with credit available elsewhere are not eligible to apply for assistance.
- The maximum term is 30 years. First payment is due 12 months after loan is made. Interest does accrue during the 12 months.

# CARES ACT

## ECONOMIC INJURY DISASTER LOANS

### **How can I use EIDL funds?**

- These are working capital loans that may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred.
- EIDL help entities stay afloat during the declared disaster, ready to “restart” their operations once circumstances allow.
- EIDLs are not meant for business expansion.

# CARES ACT

## ECONOMIC INJURY DISASTER LOANS

### General Loan Approval Criteria

- **Credit History:** Applicants must have a credit history acceptable to the SBA.
- **Repayment Ability:** The SBA must determine that the applicant business has the ability to repay the Economic Injury Disaster Loan.
- **Eligibility:** The applicant business must be physically located in a disaster-designated area and have suffered working capital losses due to the declared disaster.
- Once a borrower submits an application, approval timelines depend on volume. Typical timeline for approval is 2-3 weeks and disbursement can take up to 5 days. Borrowers are assigned individual loan officers for servicing of the loan.



# CARES ACT

## ECONOMIC INJURY DISASTER LOANS

### **What are the collateral requirements?**

- Economic Injury Disaster Loans of over \$25,000 require collateral. The SBA takes real estate as collateral when it is available.
- The SBA will not decline a loan for lack of collateral but requires borrowers to pledge what is available.
- Given the severity of the COVID-19 pandemic and its economic impacts, the SBA will make reasonable efforts to work with applicants toward a favorable decision.

# CARES ACT

## ECONOMIC INJURY DISASTER LOANS

### **What are the collateral requirements?**

- Unlike SBA 7(a) and 504 program loans, these Loans are not made through banks or financial institutions
- Apply directly to SBA at [sba.gov](https://sba.gov)
- Complete the application online.

# CARES ACT

## ECONOMIC INJURY DISASTER LOANS (EDIL)

## QUICK LOAN

- \$10,000 cash advance or even a grant is available through the Small Business Administration
- As opposed to typical SBA loans where the application goes through a private financial institution, the current cash advance SBA Disaster Loans are applied for and funded directly through the SBA
- \$10K quick advance (paid in three days). This loan may be paid back once an EIDL loan is approved for the small business.

# CARES ACT

## PAYCHECK PROTECTION PROGRAM

**The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.**

- These are Not direct loans from SBA (different than the EIDL program)
- The loan will be processed through banks and financial institutions.
- SBA is providing a 100% loan guarantee to lenders
- Existing SBA lenders will provide these loans AND new lenders will be added
- Lenders will not charge loan fees for PPP Loans

# CARES ACT

## PAYCHECK PROTECTION PROGRAM

- Loan Amount: up to \$10 million
- Interest Rate: 0.5%
- Eligibility:
  - Businesses including sole proprietorships, self-employed individuals and independent contractors, non-profits, veterans' organizations, Tribal concerns
  - 500 or fewer employees or within SBA size standards
- Loan Forgiveness: Tied to use of funds for payroll costs
- Maturity: 2 Years
- Collateral: None Required, No Personal Guarantees
- Loan Fees: None

# QUESTIONS ???

- Can you apply for PPP and EIDL?
  - YES! As long as you have the justification for each type of loan.
- Can you pay any of the loans off early without penalty?
  - YES!
- Are there smaller, quicker loans?
  - YES! The SBA is recommending small business take the \$10K quick advance (paid in three days). This loan would be paid back once the EIDL loan is approved.

# GUIDANCE FOR BUSINESSES AND EMPLOYERS

## COMMON ISSUES SMALL BUSINESSES MAY ENCOUNTER:

- **Capital Access** – Incidents can strain a small business's financial capacity to make payroll, maintain inventory and respond to market fluctuations (both sudden drops and surges in demand). Businesses should prepare by exploring and testing their capital access options so they have what they need when they need it. See [SBA's capital access resources](#).
- **Workforce Capacity** – Incidents have just as much impact on your workers as they do your clientele. It's critical to ensure they have the ability to fulfill their duties while protected.
- **Inventory and Supply Chain Shortfalls** – While the possibility could be remote, it is a prudent preparedness measure to ensure you have either adequate supplies of inventory for a sustained period and/or diversify your distributor sources in the event one supplier cannot meet an order request.
- **Facility Remediation/Clean-up Costs** – Depending on the incident, there may be a need to enhance the protection of customers and staff by increasing the frequency and intensity by which your business conducts cleaning of surfaces frequently touched by occupants and visitors. Check your maintenance contracts and supplies of cleaning materials to ensure they can meet increases in demand.
- **Insurance Coverage Issues** – Many businesses have business interruption insurance; Now is the time to contact your insurance agent to review your policy to understand precisely what you are and are not covered for in the event of an extended incident.
- **Changing Market Demand** – Depending on the incident, there may be access controls or movement restrictions established which can impede your customers from reaching your business. Additionally, there may be public concerns about public exposure to an incident and they may decide *not* to go to your business out of concern of exposing themselves to greater risk. [SBA's Resources Partners and District Offices](#) have trained experts who can help you craft a plan specific to your situation to help navigate any rapid changes in demand.
- **Marketing** – It's critical to communicate openly with your customers about the status of your operations, what protective measures you've implemented, and how they (as customers) will be protected when they visit your business. Promotions may also help incentivize customers who may be reluctant to patronize your business.
- **Plan** – As a business, bring your staff together and prepare a plan for what you will do if the incident worsens or improves. It's also helpful to conduct a tabletop exercise to simulate potential scenarios and how your business management and staff might respond to the hypothetical scenario in the exercise. For examples of tabletop exercises, visit FEMA's website at: <https://www.fema.gov/emergency-planning-exercises>