

CARES Act, EIDLs Updates, and Steps to Apply for the SBA Economic Injury Disaster Loan

April 6, 2020

Presented By:

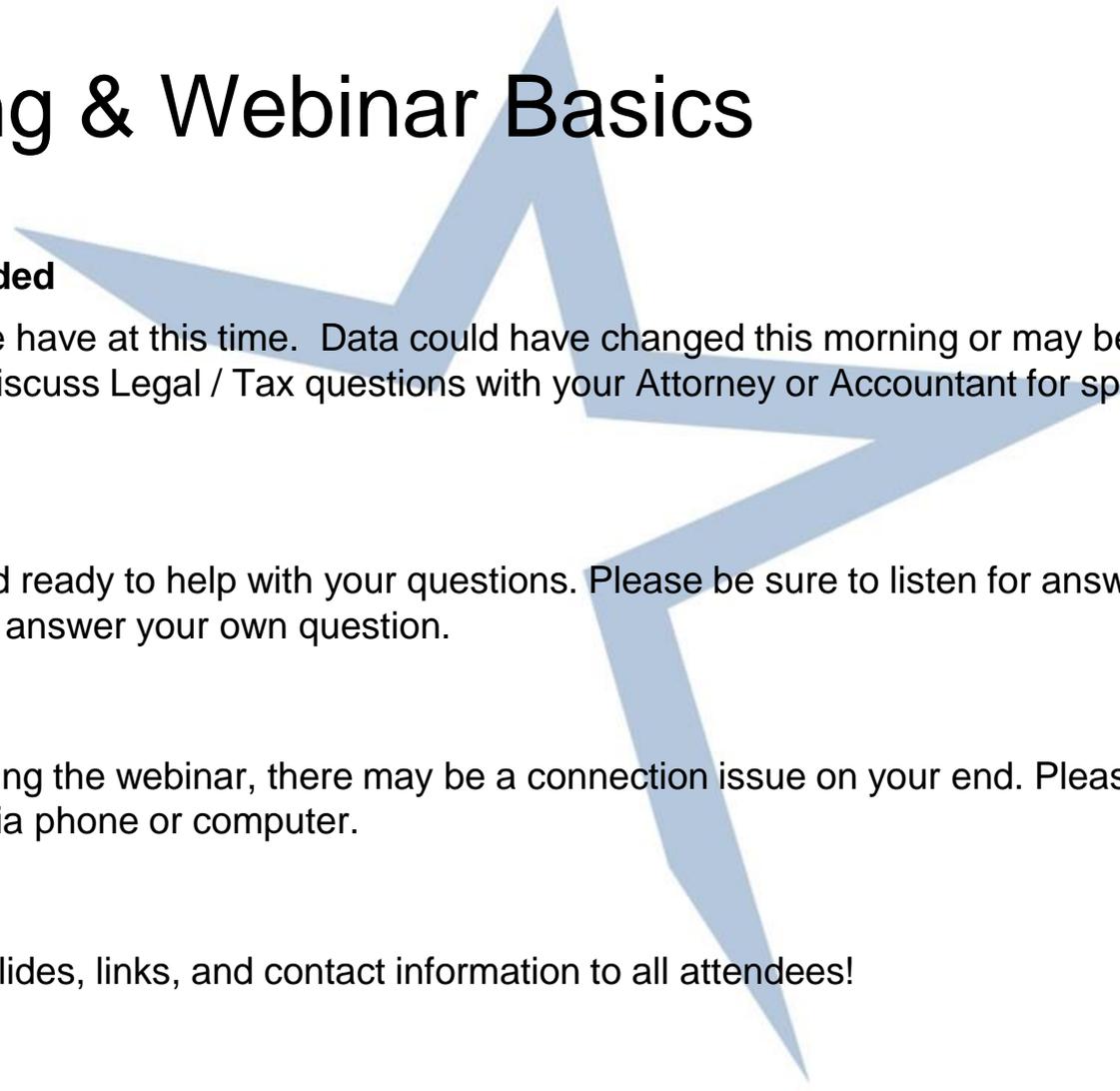


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Housekeeping & Webinar Basics



DISCLAIMER

This session is being recorded

This is the best knowledge we have at this time. Data could have changed this morning or may be updated as we talk. Please discuss Legal / Tax questions with your Attorney or Accountant for specific clarification.

QUESTIONS

SBDC staff are on the call and ready to help with your questions. Please be sure to listen for answers to other questions that may also answer your own question.

AUDIO DIFFICULTY

If you are having trouble hearing the webinar, there may be a connection issue on your end. Please try reconnecting to the webinar via phone or computer.

FOLLOW-UP

We will send out all webinar slides, links, and contact information to all attendees!

An Important Reminder

The most important reminder we can give is that relief funding and emergency resources should be considered **supplemental** - this is a difficult time for all of us, and we must each use **ALL** resources at our disposal to weather the storm.

Some options that do not require an application include:

- Speaking with creditors to negotiate deferral/abatement/waiver of fees/payments
- Contacting your business insurance provider to discuss business interruption coverage

Once you've exercised these options, it's time to start looking at relief funding.

Updates & New Programs



This webinar will provide information regarding new relief programs including:

- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- SBA Paycheck Protection Program (PPP)

As well as updates to existing programs, including:

- Changes to the SBA Economic Injury Disaster Assistance Loan (EIDL) application process
- Emergency Economic Injury Grants

What is the CARES Act?

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), is aimed at providing financial relief to the American People and American businesses in response to the COVID-19 pandemic.
- Designed to provide direct financial aid to American families, payroll and operating expenses support for small businesses, and loan assistance for distressed industries.

Core Pieces Of The CARES Act

- Provision of \$349 billion for small businesses through federally backed loans under a modified and expanded Small Business Administration (SBA) 7(a) loan guaranty program called the Payback Protection Program (PPP).
- Congress has designed the program to make funds available to qualifying businesses quickly through approved banks and nonbank lenders.

SBA Paycheck Protection Program (PPP)

WHERE DO I GO TO APPLY?

Directly to your SBA approved bank (link: [Maryland Lender List](#))

ELIGIBILITY

- Business in operation prior to February 15, 2020
- Business has/had employees or 1099 contractors (full- or part-time)
- Self-employed individuals and sole proprietors ARE eligible
- Non-profit organizations ARE eligible
- Businesses with UP TO 500 employees or which meet the applicable size standard for the industry as provided by the SBA's existing regulations.

PPP When To Apply For The Loan



- Starting April 3, 2020, small businesses and sole proprietorships can apply.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply. We encourage you to apply as quickly as you can because there is a funding cap.

PPP Loan Terms

MAXIMUM LOAN AMOUNT

To figure out how much you can apply for take the following two numbers and add them together:

- The average monthly payroll cost for your business multiplied by 2.5, up to \$10 million
 - Payroll Costs are defined on the next slide
 - Take the sum of these costs for each month, add them together, divide by twelve (or the total number of months, if in business for less than one year)
- Can Refi The total amount of any EIDL loan received after January 31, 2020

Other PPP Loan Terms*

- Interest rate of 100 basis points or 1%
- Maturity of 2 years
- First payment differed for six months
- 100% guarantee by SBA
- No collateral will be required
- No personal guarantees will be required
- No borrower or lender fees payable to SBA
- There will be no up-front guarantee fee payable to SBA by the borrower

*As of April 6, 2020

What does "payroll costs" cover?

- Salary, wage, commission, or similar compensation;
- Payment of cash tip or equivalent;
- Payment for vacation, parental, family, medical or sick leave;
- Allowance for dismissal or separation;
- Payment required for the provision of group health care benefits, including insurance premiums;
- Payment of any retirement benefits; or
- Payment of state or local tax assessed on the compensation of employees;
- The sum of payments of any compensation to or income of a sole proprietor or independent
- Contractor that is a wage, commission, income, net earnings from self employment, or similar
- Compensation and that is in an amount not exceeding more than \$100,000 in 1 year, as prorated for the period beginning on February 15, 2020 and ending on June 30, 2020.

What does "payroll costs" exclude?

- Compensation of an individual employee in excess of an annual salary of \$100,000 as prorated for the period beginning on February 15, 2020 and ending on June 30, 2020
- Taxes imposed or withheld under FICA (Social Security and Medicare), Railroad Retirement Act, and IRC Chapter 24 (income tax at source)
- Any compensation of an employee whose principal place of residence is outside the United States
- Qualified sick leave or family leave wages for which a credit is allowed under the Families First Coronavirus Response Act

Minimum Documentation Required

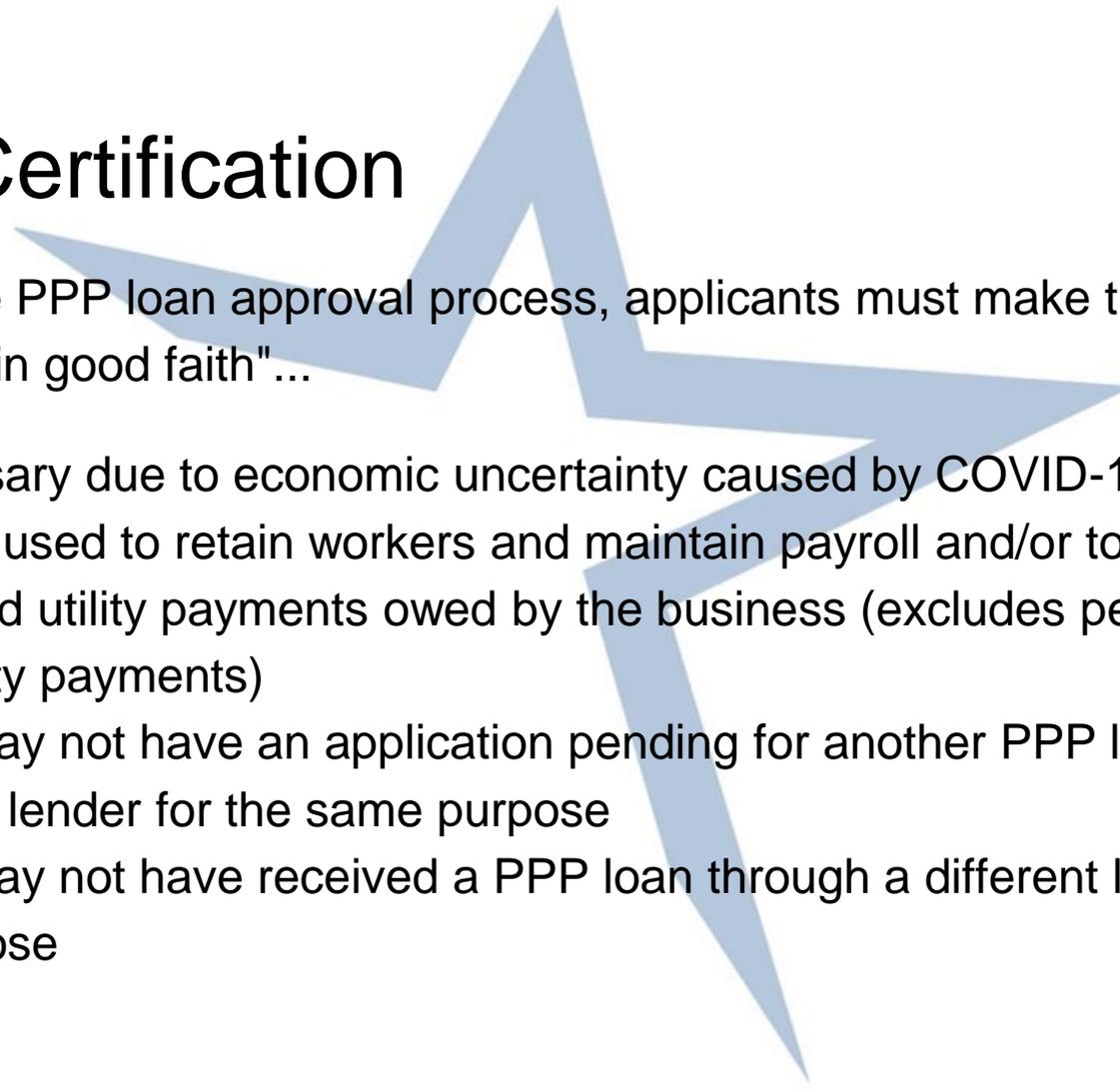
- Completed and signed copy of SBA Form 2843 (PPP application form)
- Payroll report including salaries and payroll taxes paid on or around Feb. 15, 2020
- Borrower calculation of requested loan amounts as included on application including calculation of Average Monthly Payroll Costs.
- Copy of internal payroll reports for 2020 payroll costs included and quarterly payroll tax filings (Form 941) for 2019 payroll costs included
- Report of payroll by employee for the previous or 12 months ended Dec. 31, 2020
- Supporting documentation for amounts paid and included in “average monthly payroll costs”
- Copy of State and Local unemployment tax reports.

How can I use the funds from the PPP?

Loan proceeds can be used for the following costs incurred between February 15 and June 30, 2020

- Payroll costs
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commission, or similar compensations
- Payments of interest on any mortgage obligation (excludes prepayment)
- Rent (including rent under a lease agreement in force before Feb. 15, 2020)
- Utilities, for which service began before Feb. 15, 2020
- Interest on any other debt obligation that were incurred before the period

Good Faith Certification



In order to expedite the PPP loan approval process, applicants must make the following agreements "in good faith"...

- The loan is necessary due to economic uncertainty caused by COVID-19
- Loan funds will be used to retain workers and maintain payroll and/or to make mortgage, rent, and utility payments owed by the business (excludes personal rent/mortgage/utility payments)
- Loan applicants may not have an application pending for another PPP loan through a different lender for the same purpose
- Loan applicants may not have received a PPP loan through a different lender for the same purpose

Default & Collections

PPP Loans are...

- **Nonrecourse Loans**
 - The loan provider has no recourse against any borrower or eligible recipient for a PPP loan **unless** the loan funds are used for an unauthorized purpose
- **No Guarantee**
 - PPP loans **do not** require a personal guarantee or collateral
- **No Fees**
 - Loan providers may not charge fees for any PPP loans issued between February 15 and June 30, 2020

PPP Loan Forgiveness

Partial forgiveness is available for all PPP loans equal to...

- The sum of costs incurred and payments made during the eight (8) weeks starting on the loan origination date, to include:
 - Payroll Costs (as previously defined)
 - Payment of interest on BUSINESS mortgage established before February 15, 2020
 - Payment of rent on any BUSINESS lease agreement made before February 15, 2020
 - Payment of utilities on any electricity, gas, water, transportation, telephone, or internet for which BUSINESS service began prior to February 15, 2020
- Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels.

Loan Forgiveness - Required Documentation

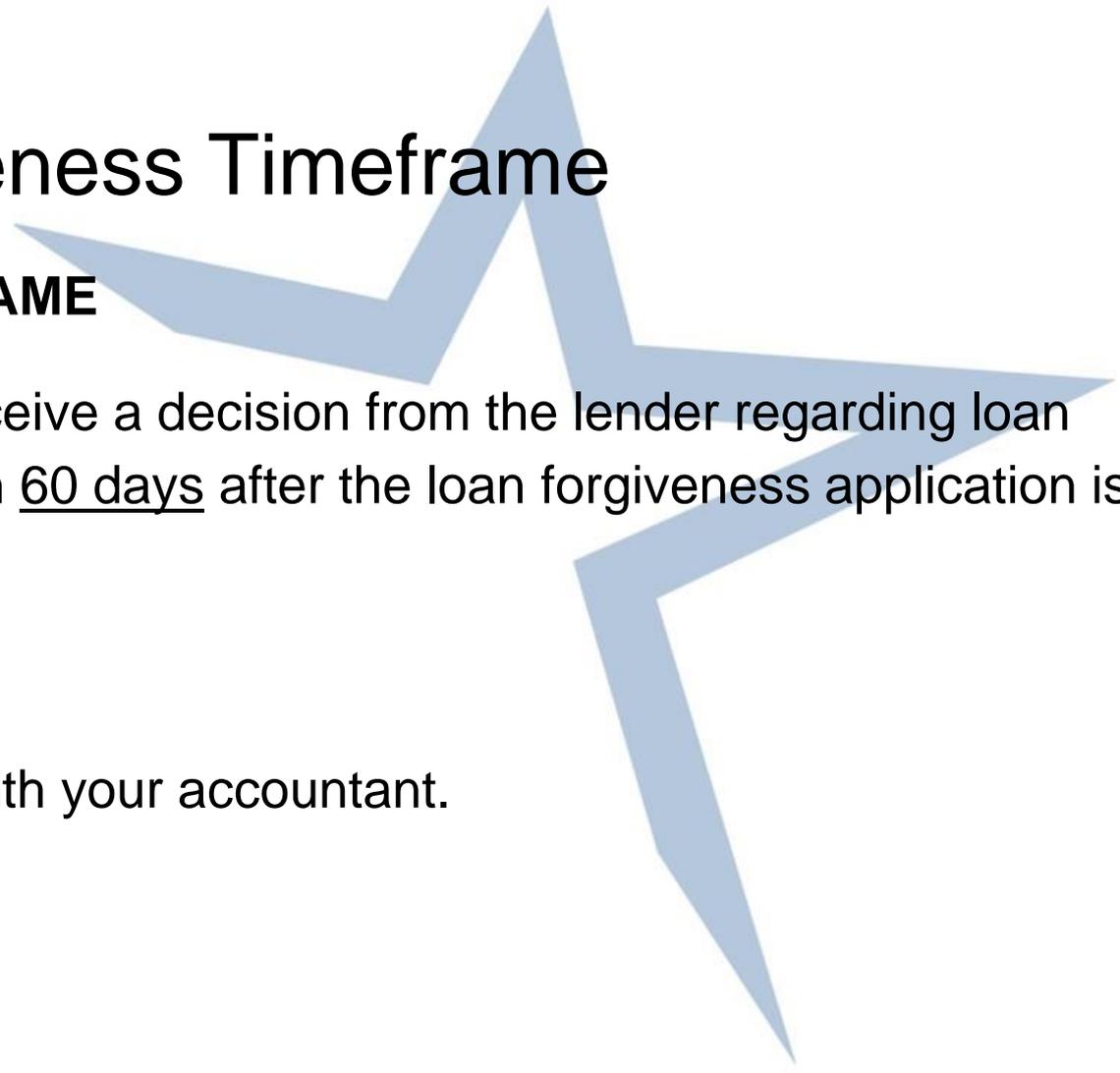
Borrowers must provide the following documentation to the Lender...

- **Verification of full-time or full-time equivalent employees** on payroll and pay rates, including payroll tax filings reported to the IRS **and** income, payroll, and unemployment insurance filings reported to the State
- **Verification of eligible costs incurred and payments made**, including cancelled checks, payment receipts, account statements, or other documentation verifying payments on business mortgages, rent agreements, and utilities
- **Certification (signature) from an authorized representative of the borrower** stating that the documents true and correct, and stating that funds were used for eligible purposes
- Any other documentation required by the lender as needed

Loan Forgiveness - Required Documentation

- 2019 IRS Quarterly 940,941 or 944 payroll tax reports
- Payroll reports for a 12-month period
 - Gross wages for each employee
 - Vacation pays for each employee
 - Family medical leave for each employee
 - State and local taxes assessed on an employee's compensation
- 1099s for independent contractors
- Documentation showing total of all health insurance premiums paid by the company owner(s) under health plan
 - Include all employees and company owners
- Document the sum of all retirement plan funding that came from employees out of the company owner(s) (do not include funding that came from employees out of their paycheck deferrals)
 - Include all employees and the company owners
 - Include 401k plans, Simple IRA, SEP IRS's

Loan Forgiveness Timeframe



DECISION TIMEFRAME

- Borrowers will receive a decision from the lender regarding loan forgiveness within 60 days after the loan forgiveness application is received

TAXABLE INCOME

- Please discuss with your accountant.

Loan Forgiveness Reductions

Loan forgiveness amounts may be reduced if...

- The number of verified full-time or full-time equivalent employees during the loan period is **less** than the average number of full-time or full-time equivalent employees for either the period of February 15 - June 30, 2019 or January 1 - February 29, 2020
- Salary or wages for eligible full-time or full-time equivalent employees are reduced by 25% or more
 - Only applies to employees earning a salary of up to \$100,000 in the equivalent period in 2019
- Special rules for tipped workers and rehires in a certain time period

SBA's Disaster Declaration Makes Loans Available Due to the Coronavirus (COVID-19)

The U.S. Small Business Administration (SBA) is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).

Maryland has received a COVID-19 Economic Disaster designation Disaster

- Disaster #: MD-00041
- Effective Date: 1/31/2020
- Incident Period: 1/31/2020 and continuing
- Incident: Coronavirus (COVID-19)

SBA will provide relief through the Coronavirus Preparedness and Response Supplement Appropriations Act that was recently signed by the President, an Economic Injury Disaster Loan declaration.

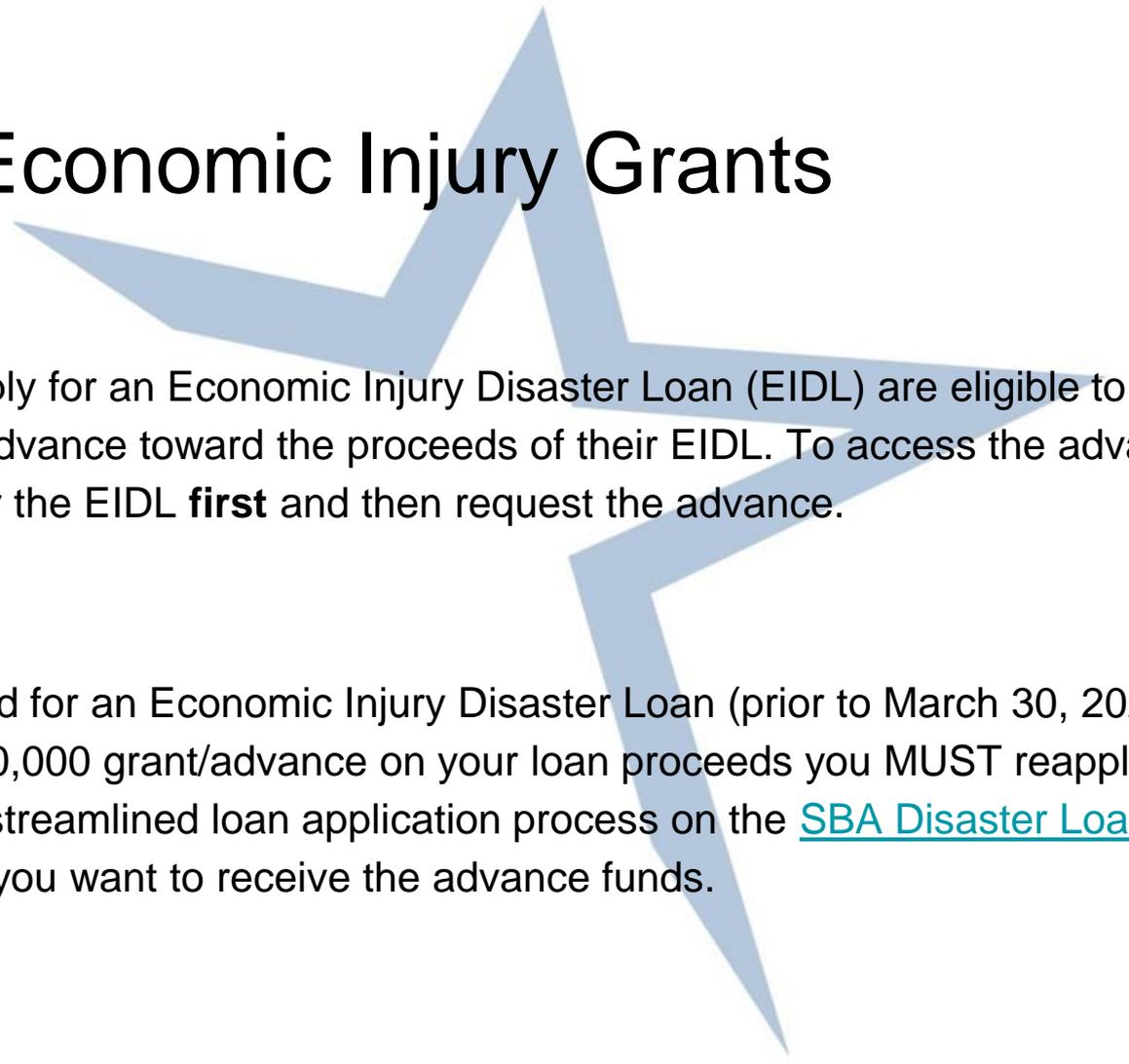
How Can Funds Be Used?

- These working capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred. The loans are not intended to replace lost sales or profits or for expansion.

Changes to SBA's Economic Injury Disaster Loans (EIDLs)

- EIDLs are now also available to Tribal businesses, cooperatives, ESOPs with fewer than 500 employees, all non-profit organizations (including 501(c) (6)s), and individuals operating as sole proprietors or independent contractors
- EIDLs can be approved by the SBA based solely on an applicant's credit score
- EIDLs that are smaller than \$200,000 can be approved without a personal guarantee
- Borrowers can receive a \$10,000 emergency grant cash advanced that can be forgiven if spent on paid leave, maintaining payroll, increased costs due to supply chain disruption, mortgage or lease payment or repaying obligations that cannot be met due to revenue losses

Emergency Economic Injury Grants



HOW IT WORKS

Small businesses that apply for an Economic Injury Disaster Loan (EIDL) are eligible to receive a \$10,000 grant/advance toward the proceeds of their EIDL. To access the advance, businesses must apply for the EIDL **first** and then request the advance.

IMPORTANT NOTE

If you have already applied for an Economic Injury Disaster Loan (prior to March 30, 2020), in order to request the \$10,000 grant/advance on your loan proceeds you **MUST** reapply for the EIDL using the NEW streamlined loan application process on the [SBA Disaster Loan website](#) and indicate that you want to receive the advance funds.

Emergency Economic Injury Grants

PPP Loan Forgiveness + EEI Grant Information

If you receive a Payroll Protection Program loan and/or refinance an EIDL into a PPP loan, the amount of the Emergency Economic Injury Grant received will be deducted from the amount forgiven under the terms of the PPP loan.

Also, EIDL funds and PPP funds **cannot** be used for the same purpose. For example, you cannot cover April payroll with **both** an EIDL and PPP loan.

How To Apply For The Loan

- This is the standard application for the CARES Act (PPP) loans and the EIDLs loan
- This is what the first page will look like
- Fill in all information accurately
- Application link: <https://covid19relief.sba.gov/#/>

Disaster Loan Assistance

Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION



DISCLOSURES



BUSINESS INFORMATION



BUSINESS OWNERS INFORMATION



ADDITIONAL INFORMATION



SUMMARY

STREAMLINED PROCESS REQUIREMENTS

SBA is collecting the requested information in order to make a loan under SBA's Economic Injury Disaster Loan Program to the qualified entities listed in this application that are impacted by the Coronavirus (COVID-19). The information will be used in determining whether the applicant is eligible for an economic injury loan. If you do not submit all the information requested, your loan cannot be fully processed.

The Applicant understands that the SBA is relying upon the self-certifications contained in this application to verify that the Applicant is an eligible entity to receive the advance, and that the Applicant is providing this self-certification under penalty of perjury pursuant to 28 U.S.C. 1746 for verification purposes.

The estimated time for completing this entire application is two hours and ten minutes, although you may not need to complete all parts. You are not required to respond to this collection of information unless it displays a currently valid OMB approval number.

ELIGIBLE ENTITY VERIFICATION

Existing Relief Funding Resources

Here are of some of the Other relief funding :

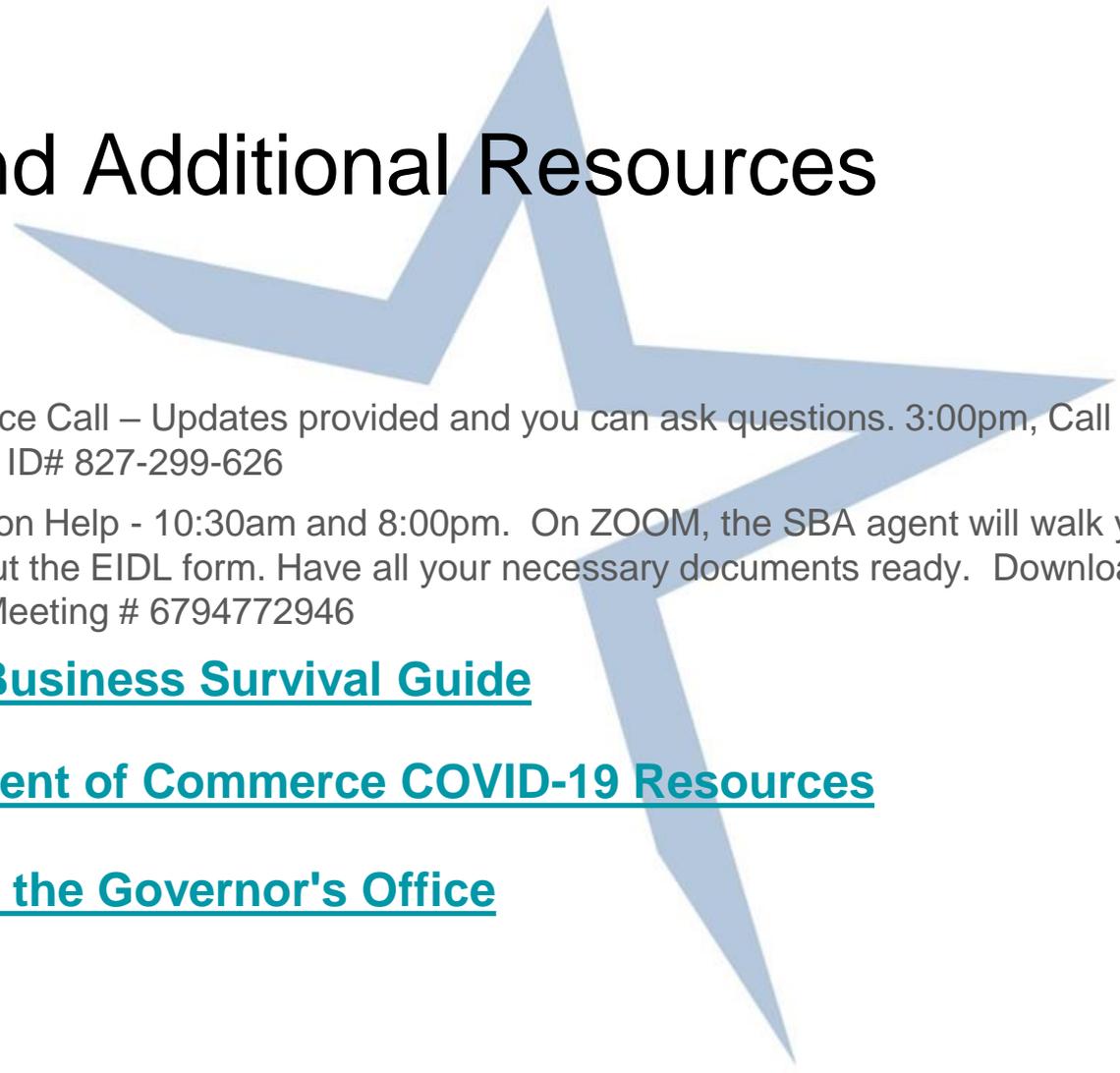
<https://commerce.maryland.gov/fund/maryland-small-business-covid-19-emergency-relief-fund-programs>

State of Maryland COVID-19 Emergency Relief Grant Fund (Commerce)

State of Maryland COVID-19 Emergency Relief Loan Fund (Commerce)

Maryland COVID-19 Emergency Relief Manufacturing Fund (Commerce)

Questions and Additional Resources



- **Need Help:**

- Daily SBA Conference Call – Updates provided and you can ask questions. 3:00pm, Call – 202-765-1264, Conf Call ID# 827-299-626
- Daily EIDL Application Help - 10:30am and 8:00pm. On ZOOM, the SBA agent will walk you through how to fill out the EIDL form. Have all your necessary documents ready. Download the ZOOM app. Free. Meeting # 6794772946

- **[COVID-19 - Small Business Survival Guide](#)**

- **[Maryland Department of Commerce COVID-19 Resources](#)**

- **[Live Updates from the Governor's Office](#)**

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