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Derek Kissinger, MBA

dkissinger@mcslosangeles.com



Covid-19 Disaster Relief Loan Options

SBA Economic Injury Disaster Loan (EIDL) and Loan Advance

- Apply Directly through the SBA
- <https://www.sba.gov/page/disaster-loan-applications>
- Up to \$2,000,000
- You do not apply for an amount, once your application is processed you will be assigned a loan amount (starting at \$25,000)
- Terms up to 30 years, 3.75% interest rate, 12 months of deferred payments (2.25%)
- No fees, no prepayment penalties
- \$10,000 loan advance on EIDL available even if you were denied, this loan advance will be forgiven

SBA Economic Injury Disaster Loan (EIDL) and Loan Advance

- **Key Things To Know About EIDL Loans**
- Under the CARES Act, EIDL provisions have been expanded:
- EIDLs can be approved by SBA **based solely on an applicant's credit score**
- EIDLs of **less than \$200,000** can be approved without a personal guarantee
- Businesses need not have been in business for the one-year period prior to the COVID-19 pandemic

SBA Economic Injury Disaster Loan (EIDL) and Loan Advance

What Is an EIDL Grant?

- An emergency \$10,000 cash advance that may be requested during the EIDL application process that SBA will fund **within three days of applying** for the EIDL
- The EIDL Grant does not need to be repaid, even if the application for the EIDL is denied

CARES ACT- SBA Payment Relief

- 6 months deferment on existing 7(a) loans and new 7(a) loans after 3/27/20
- Any loan made under the 7(a) program, Express and Community Advantage, as well as the 504 is eligible

CARES ACT- SBA Paycheck Protection Program (PPP)

- The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.
- SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.
- The Paycheck Protection Program will be available through June 30, 2020.

CARES ACT- SBA Paycheck Protection Program (PPP)

- This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by coronavirus/COVID-19.
- Small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs less than 500 workers. This means each store location could be eligible.

CARES ACT- SBA Paycheck Protection Program (PPP)

- You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program.
- Lenders may begin processing loan applications as soon as April 3, 2020.

CARES ACT- SBA Paycheck Protection Program (PPP)

- The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.
- Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.
- This loan has a maturity of 2 years and an interest rate of .5% (10 years, 4%)
- If you wish to begin preparing your application, you can [download a sample form](#) to see the information that will be requested from you.

<https://www.sba.gov/document/sba-form--paycheck-protection-program-ppp-sample-application-form>

- You will also need to provide the lender with payroll documentation

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CARES ACT- SBA Paycheck Protection Program (PPP)

Borrowers will be required to make a good faith certification that loan proceeds are used for:

- Payroll costs
- Costs related to continuation of group healthcare benefits
- Employee salaries, commissions or similar compensations
- Payment of interest on any mortgage obligation
- Rent
- Utilities
- Interest on any other debt obligation that occurred before the covered period

CARES ACT- SBA Paycheck Protection Program (PPP)

How are “Payroll Costs” Defined and Calculated?

- Payroll costs for businesses include salaries, wages, cash tips, payments for vacation, parental, family, medical, or sick leave, and group health care benefits, as well as certain other employment-related expenses
- Payroll costs for sole proprietors and independent contractors includes wages and net earnings from self-employment
- Compensation for an individual employee, sole proprietor or independent contractor above \$100,000 annually (pro-rated for the period) is excluded
- The average payroll will be calculated over (i) the year prior to the loan origination, (ii) for seasonal employers, the period between February 15, 2019 through June 30, 2019 or, at the election of the borrower, March 1, 2019 through June 30, 2019, or (iii) the period between January 1, 2020 and February 29, 2020 for businesses not in operation during the period between February 15, 2019 and June 30, 2019

CARES ACT- SBA Paycheck Protection Program (PPP)

How much of the loan can be forgiven?

- Amounts spent during the 8 week period after loan origination on payroll costs, business mortgage interest, rent, and utilities
- Forgiveness will be reduced pro-rata for workforce reductions (this does not include employees who are re-hired)
- Forgiveness will be reduced if salaries/wages are reduced by more than 25% (excluding reductions for salary and wage amounts over \$100,000)
- At least 75% of the forgiveness amount must be for payroll costs
- Forgiveness cannot exceed the original loan amount

CARES ACT- SBA Paycheck Protection Program (PPP)

What If I Have Already Reduced My Workforce?

- The **Paycheck Protection Program** is retroactive to February 15, 2020
- This means employers can use the funds to re-hire employees and still benefit from loan forgiveness

If I Apply For an EIDL, Can I Also Get an SBA PPP Loan?

- Businesses can apply for and receive both EIDLs and SBA PPP Loans but the loan proceeds cannot be used for the same purpose
 - *What This Means:* If you use EIDL proceeds to cover payroll for certain workers in April, you cannot use SBA PPP Loan proceeds for payroll for those same workers in April, although you could use SBA PPP Loan proceeds for payroll in March or for different workers in April
 - It is encouraged to set up a separate Payroll bank account and deposit PPP funds into the payroll account and EIDL funds deposit into an operating/main account

CDC Small Business Finance Emergency Relief Loan

Up to \$150,000 Working Capital Loan

- Completed CDC Small Business Finance Disaster Loan application
- December 31, 2019 financial statements (P & L, Balance Sheet)
- Last 3 months business bank statements
- PFS anyone with 20% ownership (SBA form 413)
- 3 year Business tax returns, 1 year personal
- Business Debt Schedule
- Signed 4506T form

CDC Small Business Finance Emergency Relief Loan

- Hear if you are approved in 48 hours
- Funding in 4-7 business days
- Interest only payments for 6 months
- Credit score minimum of 680
- Variable Rate: Prime + 2.75 to 6% based on credit
- 10 year fully amortized to keep payments low
- Minimal fees financed through loans
- No prepayment penalty

LA City Emergency Relief Loan

Important Documentation

- Complete Loan Application
- Business Tax Returns (*1 year, if available*)
- Interim Business Financial Statement (Profit & Loss and Balance Sheet)
- Personal Financial Statement (SBA Form 413)
- Personal Tax Returns (*1 year*)
- Business and Personal Bank Statements (*3 months*)
- Sources and Uses of Funds

<https://ewddlacity.com/index.php/microloan-program>

Options 1: 0% interest for 12 month term with up to 6 month deferment

Option 2: 3% interest 5 year with up to 12 month deferment

Option 3: 2.% interest 5 years with up to 12 month deferment (Non-Profits)

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