



Emergency Relief Loan Fact Sheet (7/14/20)

There are three programs currently available to provide relief from hardship due to Covid-19 for business owners:

- 1) **Economic Injury Disaster Loan (EIDL)**. SBA. For those in process, please see the following for information about approval process, timeline, and terms.
- 2) **Paycheck Protection Program (PPP)**. CARES Act. **New applications are being accepted through August 8.** See below for information on the application/approval process, timeline, and terms, including **NEW terms per the PPP Flexibility Act which was signed into law on 6/5/20.**
- 3) **Main Street Lending Program**. Federal Reserve. Offering commercial loans through banks of **\$250,000 or more (NEW lower minimum)** to for-profit businesses. Please see the following for the latest information.

The SBA Economic Injury Disaster Loan (EIDL)

Approval and Acceptance Process

- You should have received an email confirmation when you applied. You will not receive additional emails until your application is in the approval process.
- This is a loan. They will require collateral (if you have it) and personal guarantee over a certain loan amount. Your requirements will be outlined in the agreement/note you will be required to sign to accept the loan.
- You will receive an email asking you to create an account on the SBA portal once your application has been reviewed. On this portal you will see the status of your loan, the maximum amount allowed, and the necessary next steps. You will then accept an amount equal to or less than the maximum allowed.
- Once you accept the amount, you will be asked to log back in to review and sign your paperwork. *Until you sign the agreement/note, you have not accepted the loan.*
- You have up to 2 months once approved to sign the paperwork to accept the loan.

Terms and Repayment

1. Advance (Forgivable)
 - No longer available
2. Loan (Must be repaid and subject to interest)
 - Maximum amount is \$150,000.
 - Collateral may be held if the loan exceeds a certain amount and a personal guarantee may be required, over a certain ownership/loan amount. See your agreement/note for details.
 - The first 12 months of payments are deferred, but interest will accrue as of the date the funds are in hand.
 - The interest rate is fixed at 3.75% (for-profit) and 2.75% (not-for-profit).
 - You have up to 30 years to repay. There is no pre-payment penalty.

The Paycheck Protection Program (PPP)

The PPP is designed to encourage employers to maintain their staffing levels prior to Covid. A portion of this loan may be forgiven if guidelines are met. **This program is also open to sole proprietors.** *You may apply for the PPP in addition to the EIDL.*

Application/Acceptance Process

- You must apply through an SBA approved bank. Service providers such as Kabbage, Square and PayPal have also been accepting applications. See the SBA site for a complete list.
- While the SBA is providing guidelines, your bank approves the loan and they will also verify compliance with guidelines for forgiveness. All communication comes from the bank (status of application etc).
- The application will ask for your average monthly payroll expense (employers), or average monthly net revenue for sole proprietors. You will submit documentation to verify your calculations such as tax filings.
 - **For employers it is 2.5x your average monthly payroll.** There are several options to calculate your monthly average, so please be sure to speak with your accountant to determine the best for your situation. You may NOT include salary/wages or fees paid to 1099 workers or foreign workers, but you may include state/local payroll taxes, as well as employer-paid contributions for health care and retirement programs. There is a cap of \$100,000 per employee.
 - **For sole proprietors/contractors it is 2.5x your average monthly net income** based on 2019.
- Once you are approved, your bank must fund your account within 10 days. The date the money is deposited into your account is the first date of your “forgiveness period.”

Terms and Repayment

1. Grant (Forgivable) – Visit <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program> for all details and the Forgiveness Application **which is being revised** in light of the new Act.

Employers: (new rules are highlighted in red)

- At least **60%** of the amount used must be used for payroll expenses. Up to **40%** of the amount used may be used for rent, mortgage interest, or utilities.
- Payments (payroll or other) must be paid out within a **24-week** period, or by December 31, whichever is sooner, to be considered for forgiveness. Rehiring must happen by December 31.
- You must maintain the number of full-time equivalent employees as well as their pay level unless you **document your inability to rehire workers and inability to find similarly qualified workers by December 31, 2020.** See the SBA guidelines or speak with your accountant for more details.

Sole Proprietors:

- You get eight weeks of net profit forgiven automatically (owner compensation replacement).
- The balance must be used to pay rent, mortgage interest or utilities.

2. Loan (Must be repaid and subject to Interest)

- There is no personal guarantee or collateral required.
- Any amount that is NOT forgiven will be subject to 1% interest which accrues as of the date the funds are provided.
- **If you don't qualify for forgiveness you would have at least 10 months after the forgiveness period ends to start making payments.**
- The loan is amortized over 10 years, but the total amount **is due within 5 years** (balloon payment).
- There is no pre-payment penalty.

Main Street Lending Program

Established by the Federal Reserve to make it easier for businesses that were successful and stable prior to the pandemic to have access to commercial credit with reasonable terms. At the center of this program, the lenders (banks) will take on much less risk (only 5% and the Fed guarantees the rest) and therefore are more willing to make commercial loans during the crisis. *We are still awaiting more guidance* – the Federal Reserve has yet to release all guidelines and forms.

Approval and Acceptance Process

- You must have been in business prior to March 15, 2020 and be a legally formed, US based for-profit entity. Certain segments are excluded, such as banks and private clubs.
- You must have 15,000 or fewer employees or 2019 revenues of \$5B or less.
- The business must have been in good standing (profitable) prior to the pandemic. Collateral will be required.
- You will apply directly with a bank. Banks do not have to be SBA lenders.
- You must show you were “unable to secure adequate credit accommodations from other banking institutions” to be eligible. This will likely be in the form of a letter (still to be determined).

Terms and Repayment

This is a loan and must be repaid. There is no potential for forgiveness at this time.

- **Minimum amount of the loan must be \$250,000.**
- The amortization period varies depending on whether it is a new or expanded loan.
- The loan must be repaid in full within **5 years**.
- This does not have to be used for payroll like the PPP, but the employer is expected to make reasonable efforts to retain workers and maintain payroll.
- There are rules prohibiting paying off other loans or use of lines of credit until this loan is paid in full.
- The **first 2 years of principal are deferred**, but interest will accrue as of the date the funds are in hand.
- The interest rate is either the 1 month or 3 month Libor rate plus 300 basis points (would make the rate approximately 3.1% - 3.33% based on current rates, which do fluctuate.)
- No pre-payment penalty.