COVID Small Business Loans

What Employers **Need to Know**

The Coronavirus outbreak has had a significant impact on small businesses and nonprofit organizations. Through the stimulus packages passed in March 2020, the Small Business Administration (SBA) is adding and expanding existing loan products available to small businesses.

The intention of this stimulus is to get money to small businesses to help them keep their business running and employees paid through this crisis.

The stimulus money for small businesses - $384 billion - will fund several different programs: Economic Injury Disaster Loans (EIDL) and Emergency EIDL Grants, the newly created Paycheck Protection Program (PPP), and the small business loan forgiveness and debt relief programs.

Update: Includes recent guidance provided by Treasury and SBA on April 2, 2020, on interest rate and term for PPP loans

How Do Small Businesses Access This Money?

STEP 1: DETERMINE ELIGIBILITY

To be eligible for these SBA loans, small businesses must be:

>> A for-profit or a nonprofit entity
>> Independently owned and operated
>> Physically located in the U.S. or territories
>> 500 or fewer employees

>> A business with more than 500 employees will need to take the additional step of consulting the SBA size standards here. For more information on size standards from the SBA, look here.

>> Some additional types of businesses qualify under the stimulus, including Tribal businesses, individuals operating as sole proprietors, and independent contractors between January 31, 2020, and December 31, 2020.

STEP 2: DETERMINE WHICH PRODUCTS YOU WANT TO ACCESS

>> EIDL and EIDL Emergency Grants: If you need a small infusion of cash immediately, this existing program has a new provision for emergency grants. Any applicant for an EIDL loan can access a no-strings-attached grant for $10,000 to help offset losses due to COVID-19. If you need more assistance, small businesses can apply for up to $2 million in low-interest loans to help with qualified business expenses.

>> PPP: This loan is ideal for businesses who want to keep their employees paid even as business takes a hit. Loan amounts are based on employee salary, retention costs, and qualified business expenses. There is also full or partial loan forgiveness available if the small business retains their employees. Any entity that takes advantage of the loan forgiveness is excluded from receiving the payroll tax deferment provided by the stimulus packages.

>> **NOTE:** Small businesses can apply for both EIDL and PPP, but must use the separate loans for separate expenses. For example, if you use PPP for paying salaries, you cannot use the EIDL loan for the same purpose.

STEP 3: GET YOUR DOCUMENTS READY

For all programs, be prepared to certify that you will use the funds you receive to support your business and employees, and have your basic business information (EIN, revenue, sales) ready to use in your applications.

For PPP loan forgiveness, you will also need:

>> Payroll documentation that shows the number of employees you have and what you pay them.
>> Statements that show payments for employer contributions to employee retirement accounts and health insurance premiums.
>> Statements that show the amount you spend on other business expenses, such as lease payments or utility bills.

STEP 4: APPLY

PPP

>> Before you apply for your loan, calculate your average monthly payroll costs for the year. You can work with your lender to determine the exact amount. For more detailed guidance, click here.
>> Contact a bank registered to make 7(a) loans before June 30, 2020. Here is a list of the 100 most active 7(a) lenders. Lenders are just learning the stimulus bill, so it may require a little patience.

PPP Loan Forgiveness

Once you have signed your loan documents, contact your lender again. Tell them you have calculated your payroll costs, interest on mortgage obligation, and utility payments, and believe that you qualify for full or partial forgiveness. You can request loan forgiveness for up to eight weeks of payroll and operational costs. You have until June 30, 2020, to apply for loan forgiveness on a first come, first served basis.

<u>EIDL and EIDL Emergency Grants</u>
EIDL Application:

1. Apply through the SBA's website <u>here</u>.
2. Apply in person at a <u>Disaster Recovery Center</u>.
3. Request an application by phone by calling 1-800-887-8339 or TTY (800) 887-8339.

EIDL Emergency Grants:

1. Apply for an EIDL following the directions above. You will be assigned an SBA case manager.
2. Contact your case manager and ask to apply for the emergency grant.

<u>Debt Relief for 7(a) Loans</u>

If you have an existing 7(a) loan, you can apply for debt relief. This relief doesn't include loans made under the PPP. Contact your lender to get more information.

STEP 5: RECEIVE DECISION AND FUNDS

>> EIDL: Decisions are reviewed by the SBA case manager assigned to the application. Decisions are made anywhere from a few days to 3 weeks. Once you have a decision, the initial disbursement is $25,000.
>> EIDL Emergency Grants: Within 3 days of an application, the SBA will distribute up to $10,000
>> PPP: Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders. Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their
>> payroll and other certain expenses through existing SBA lenders. PPP Loan Forgiveness: The lender must make a decision on the forgiveness within 60 days. The borrower is not responsible for the interest accrued during this period.

NOTE: Guidance from Treasury and SBA on April 2, 2020, set a fixed interest rate of 1% and term of 2 years for PPP loans.

For more information on Small Business Loans, Grants, and Relief, see our COVID Small Business Loans Frequently Asked Questions here, or visit our <u>COVID-19 Action Center</u>. We will update this hub as more information and guidance becomes available.