

COVID-19 SBA Loan Options

In our attempt to keep everyone up to date on coronavirus information, here's a brief summary of the SBA Loan Options during the COVID-19 shutdown. For other information, support, and resources, visit the COVID-19 Resource Center section on eNetwork.

We recommend reviewing all the options available under the Family First Coronavirus Response Act and the CARES Act and to look at any state options available to you in order to determine which fit your unique business needs.

An applicant may receive an EIDL and a PPP (described below) so long as the basis for the loans/costs being paid with each are different. No double dipping.

Economic Injury Disaster Loan Program (EIDL)

The CARES Act made several changes to the Economic Injury Disaster Loan (EIDL) Program under Section 7(b) of the Small Business Act:

- EIDL Loans are available to small businesses in all 50 states, Puerto Rico and the Northern Mariana Islands as of Jan. 31, 2020
- EIDL Loans are processed directly through the SBA, but they may enlist the help of other lenders
- EIDL Loans are available in a max. amount of \$2 million, carry an interest rate of 3.75% and have a max. term of 30 years
- Loans over \$200,000 must be guaranteed by any owner having a 20% or greater interest in the applicant
- CARES Act removed the requirement to prove you were unable to secure credit elsewhere
- Applicant may request an expedited disbursement that is to be paid within 3 days of the request. The advance may not exceed \$10,000.

Paycheck Protection Program (PPP)

Makes loans of up to \$10 million available to certain qualified small businesses. These loans are intended to be forgivable if the borrower maintains employees and otherwise complies with the CARES Act.

Qualified Small Business:

- 500 employees or fewer or the maximum number of employees specified in the current SBA standards (whichever is greater)
- If more than 500 employees
 - 500 or fewer employees in each office/location
 - AND primary NAICS code starts with a "72" (Accommodation and Food Service)
- Is a franchise holding a franchise listed on the SBA's registry of approved franchise agreements
- Has received financing from a Small Business Investment Corporation

NOTE: Sole proprietorships and self-employed individuals may qualify under this program.

NOTE: Certain nonprofit organizations (501(c)3), qualified veteran organizations and certain Tribal business concerns are eligible.

Key Provisions:

- 4% max. interest rate
- Loans must be made by SBA-approved lenders
- Must have been in business on Feb. 15, 2020 AND had employees and paid salaries and taxes or had independent contractors.
- Guarantee fees are waived

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- Loans are non-recourse to the borrower
- Do not have to meet the “no credit elsewhere” test
- No collateral requirement
- No prepayment penalties
- Payments are deferred for 6 to 12 months
- Applicant must certify:
 - Current uncertain economic times make the loan request necessary to support ongoing operations, and
 - Funds will be used to keep workers and make payroll, mortgage payments, lease payments, and utility payments, and
 - Applicant does not already have an application pending for other payroll assistance under the CARES Act

NOTE: Receiving the PPP Loan makes the business ineligible for the Employee Retention Tax Credit

Loan Forgiveness Provisions

Under the CARES Act small business borrowers will be eligible for loan forgiveness, both for new loans under the PPP and for existing 7(a) loans.

Under the PPP loan forgiveness will equal the amount spent by the borrower in the 8-wk period after the loan origination date on the following:

- Payroll costs up to \$100,000 per employee
- Payments of interest on any mortgage loan incurred prior to Feb. 15, 2020
- Payment of rent for leases in place prior to Feb. 15, 2020
- Payment on any utility for which service began prior to Feb. 15, 2020
- The amount forgiven is not considered taxable income to the borrower

Cross check against 2018 to determine the amount to be forgiven

- Reduction of the number of employees compared to 2018
- Employee pay reductions in excess of 25% compared to 2018
- Borrower will not be penalized by a reduction in the amount forgiven for termination of an employee made between Feb. 15, 2020 and April 26, 2020 as long as the employee is rehired by June 30, 2020

NOTE: The borrower must apply to the lender for loan forgiveness and supply supporting documentation