

# **Federal Resources for Small Businesses – What is Included in the COVID-19 Stimulus Package?**

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**Hosted by the National Center for Manufacturing Sciences**



# Introduction

- Lisa Strama, NCMS President/CEO Remarks
- McAllister & Quinn Introduction (Chris Fish, Vice President and Jake Parduhn, Director of Federal Affairs)
- Agenda:
  - Overview on COVID-19 Economic Stimulus Package (CARES Act, Public Law 116-136)
  - Loan and Grant Programs
    - Paycheck Protection Program (PPP) a.k.a. SBA 7(a) Loan Program
    - Economic Injury Disaster Loan (EIDL) and Grants Program
    - Comparison of PPP and EIDL Programs
  - Other Federal Small Business Resources
  - Business/Labor Provisions in Economic Stimulus Package
  - Questions and Follow-Up



# Federal Response to COVID-19: Economic Stimulus Package

- On March 27th, Congress passed, and the President signed a **\$2 trillion** economic stimulus package (CARES Act, Public Law 116-136) to help address the unprecedented health and economic crisis related to COVID-19.
- Included over **\$350 billion** for SBA loan guarantees, subsidies, and other small business resources. The legislation also includes several business and labor provisions aimed at helping small businesses.
- We expect an additional economic stimulus package to be developed in the coming weeks. Ongoing discussions – review.



# SBA 7 (a) Loan Program

## “Paycheck Protection Program”

- **Federal Government’s Mission:** Provide capital to cover the cost of retaining employees.
- **Overview:** Newly authorized Paycheck Protection Program (PPP) makes loans of up to \$10M available to qualified small businesses and nonprofits. PPP loans are intended to be **forgivable** if the borrower maintains employees and complies with requirements. Congress has appropriated \$349 billion for this program.
- **Applying:** Simple application process. Processes are being put in place to handle volume of applications. Loan applications will be able to be processed starting **April 3rd**.
- **Disclaimer:** Exact terms of loans are determined solely by the lender(s).



# SBA 7 (a) Loan Program

## “Paycheck Protection Program”

### Paycheck Protection Program (SBA 7 (a) Loan Program) Details

<b>Who is the Lender?</b>	A financial institution that is qualified for 7 (a) Loans, SBA underwrites the loan.
<b>What is the potential amount of the loan?</b>	<p>Maximum loan size is \$10 million. Total loan amount calculation:</p> <ul style="list-style-type: none"><li>Your max loan is equal to <b>250 percent</b> of your average monthly payroll costs. (ex. Avg. Monthly Payroll = \$100k, <math>100k \times 2.5 = \\$250k</math>). In general, borrowers can calculate their aggregate payroll costs using data either from the previous 12 months or from calendar year 2019.</li><li>Not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to <b>250 percent</b> of your average monthly payroll costs between January 1, 2020 and February 29, 2020.</li></ul> <p>* Payroll costs specifically exclude compensation of an individual employee in excess of an annual salary of \$100,000 and foreign employee salaries/wages.</p>
<b>What are allowable loan usages?</b>	Payroll costs, healthcare benefits, insurance premiums, utility payments, and interest (but not principal) on mortgages, rent, or other debt obligations incurred prior to February 15, 2020.
<b>Loan Term and Rate?</b>	2 years, 1% fixed interest rate.
<b>Collateral/Personal Guarantee Required?</b>	No collateral or personal guarantee is required from the business or owners.
<b>Eligibility?</b>	<p>Small businesses (500 employees or less), non-profits: 501(C)(3) and 501(C)(19), independent contractors, self-employed, Veteran’s Orgs. SBA Affiliation rules apply in most circumstances.</p> <p>*Certain businesses over 500 employees, but less than 500 employees per physical location qualify.</p>



# SBA 7 (a) Loan Program

## “Paycheck Protection Program”

### Paycheck Protection Program (SBA 7 (a) Loan Program) Details

<b>Loan Deferment?</b>	Loan payments will be deferred for 6 months (interest is accrued during the deferment).
<b>Is there a loan forgiveness program?</b>	<p>Yes – calculated as the amount spent by the borrower during an 8-week period after the origination date of the loan on: payroll costs, interest payment on any mortgage incurred prior to February 15, 2020, payment of rent on any lease in force prior to February 15, 2020, and payment on any utility for which service began before February 15, 2020. Payroll costs will not count toward employees with more than \$100,000 of annualized compensation.</p> <p>The amount forgiven will be reduced proportionally by any reduction in full-time employees and employee compensation (&gt;25%) compared to the prior year. Reductions in the number of employees/compensation between February 15, 2020, and 30 days after enactment of the CARES Act will generally be ignored to the extent that reductions are reversed by June 30, 2020.</p>
<b>What happens after loan forgiveness?</b>	Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 2 years, at a maximum interest rate of 1%.
<b>Can I get more than one PPP 7 (a) loan?</b>	No, an entity is limited to one PPP loan.
<b>Can I get other SBA loans?</b>	It is possible, but businesses are not allowed to double dip and subsequent loans would have to be for different purposes (ex. cannot pay for payroll costs with two different SBA loans).



# How to Apply for the SBA PPP 7 (a) Loan Program?

## How long are these loans available?

- Loans are available through June 30, 2020.

## Can I apply now?

- Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans through existing SBA lenders. April 10th for self-employed/independent contractors.
- Link to Application Form: <https://www.sba.gov/document/sba-form--paycheck-protection-program-ppp-sample-application-form>

## How long will the loan application process take?

- Varies by financial institution, some entities have already been approved for PPP.

## What should I do next?

- Review qualified SBA lenders in your area. Your existing lender may qualify. Begin to have a conversation about the program and prepare necessary financial information.



# SBA “Economic Injury Loan (EIDL) Program”

- **Federal Government’s Mission:** Quick infusion of cash to cover your expenses right now.
- **Overview:** An additional \$10 billion for Economic Injury Disaster Loans. Since there is a national emergency declared, every location in the U.S. is eligible. This would also authorize the SBA to advance as much as \$10,000 to existing and newly eligible disaster loan recipients within three days of receiving their applications.
- **Timing:** Small businesses can apply for EIDL right now. EIDL has a live application on the SBA’s website.
- **Disclaimer:** Program details are subject to change. Exact terms of loans are determined solely by the SBA.



# SBA Economic Injury Disaster Loan and Grant (EIDL) Program

## Economic Injury Disaster Loan and Grant Program Details

<b>Who is the Lender?</b>	Small Business Administration (SBA).
<b>What is the potential amount of the loan?</b>	Maximum loan size is \$2 million. Applicants who apply for this loan may request an advance of up to \$10,000 from the SBA. Advance will be distributed within 3 days. The advance does not need to be repaid under any circumstance.
<b>What are allowable loan usages?</b>	Most financial obligations and operating expenses that could have been met had the disaster (COVID-19) not occurred.
<b>Loan Term and Rate?</b>	Up to 30 years, 3.75% for businesses, 2.75% for non-profits annual rate.
<b>Collateral/Personal Guarantee Required?</b>	Yes, for loans greater than \$200,000, owners of more than 20% of the business, managing members of LLCs, have to provide a personal guarantee. However, no liens will be taken against real estate owned by the guarantor. The SBA will place a lien against the assets of the business as collateral.
<b>Eligibility?</b>	Small businesses and private non-profits with 500 or fewer employees, including: Sole proprietorships, Independent contractors, Cooperatives and employee owned businesses, Tribal small businesses. Must have been in operation since January 31, 2020.



# SBA Economic Injury Disaster Loan and Grant (EIDL) Program

## Economic Injury Disaster Loan and Grant Program Details

<b>Loan Deferment?</b>	One year after the loan origination date (interest is accrued during the deferment).
<b>Is there a loan forgiveness program?</b>	No
<b>Can I get an EIDL and/or a PPP loan?</b>	Yes - whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL between January 31, 2020 and June 30, 2020, you may also apply for a PPP loan. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the EIDL Grant Program would be subtracted from the amount forgiven in the PPP. <u>However, you cannot use your EIDL for the same purpose as your PPP loan (ex. cannot pay for payroll costs with two different SBA loans).</u>



# How to Apply for the SBA EIDL Program?

## How long are these loans available?

- Loans are available through December 31, 2020. Reverts back to original program requirements after.

## Can I apply now?

- Yes - to apply for an EIDL online, please visit <https://disasterloan.sba.gov/ela/> Your SBA District Office is an important resource when applying for SBA assistance.

## How long will the loan application process take?

- Currently, processing times for these loans are 2-3 weeks. \$10K advance within 3 days.

## What should I do next?

- Review EIDL application and requirements. Begin preparing application.

# Loan Program Recap and Differences Between Loan Programs

## Key Takeaways:

- SBA has two loan programs they will use for small business loan relief.
  - PPP is geared primarily toward equipping small businesses with funding to keep people employed. PPP is a new iteration of the 7 (a) Loan Program and is administered directly through a lender. Currently accepting applications.
  - EIDL is geared primarily toward quick funding infusion for small businesses for operating costs. Broader allowable usage. EIDL applications are currently live and loans are administered directly through SBA.
- Potential to have multiple loans (one EIDL and one PPP). In any case, you cannot use two SBA loans to pay for the same thing (no double-dipping).
- If your small business requires more than payroll assistance urgently, EIDL might be more appropriate (could potentially be a larger loan for some small businesses, broader allowable usage, \$10k advance)



# Other Federal Small Business Resources

- **Funding for Subsidizing Existing SBA Loans**
  - \$17 billion was included to cover 6 months of payments for small businesses with existing SBA loans.
- **Small Business Development Center Education, Training, and Technical Assistance Grants**
  - \$265 million will be provided to Small Business Development Centers to provide education, training and technical assistance to small business concerns related to issues stemming from COVID-19. Funding is not provided directly to businesses.
- **Funding for NIST Manufacturing Extension Partnership**
  - \$50 million for the Hollings Manufacturing Extension Partnership to assist manufacturers. Funding is not provided directly to businesses.



# General Business and Labor Provisions

## Delay of Payment of Employer Payroll Taxes:

- Allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax.
- Requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.

## Employee Retention Credits for Employers:

- Provides payroll tax credits for 50% of wages paid by eligible employers to certain employees.
- The credit is available to employers whose operations have been fully or partially suspended or have greater than 50% reduction in quarterly receipts, measured on a year-over-year basis.
- Wages of employees who are furloughed or face reduced hours are eligible for the credit. Employers with 100 or fewer full-time employees, all employee wages are eligible.
- The credit is provided for the first \$10,000 in wages and compensation.

\*The credit is not available to employers receiving Small Business Interruption Loans (PPP/EIDL)

# Questions and Follow-Up

- These slides will be posted on the NCMS website.
- Frequently Asked Questions (FAQs) list will be periodically updated and posted on the NCMS website as additional information surfaces.
- NCMS Point of Contact: Rebecca Taylor, Senior Vice President, [RebeccaT@ncms.org](mailto:RebeccaT@ncms.org)