



Lancaster City Merchant Committee Virtual Meeting

SCORE Lancaster-Lebanon
April 7, 2020

SBA Coronavirus Loan Programs

- Economic Injury Disaster Loan (EIDL) – Steve Darby
- Payroll Protection Program (PPP) - Rich Bidgood

Presenters: Steve Darby and Rich Bidgood – SCORE mentors

Note: this information is accurate as of 4/7/2020; the details of these programs are changing frequently so check the websites.

SBA Economic Injury Disaster Loan (EIDL) and Emergency Loan Advance

- SCORE is recommending that its clients apply for an EIDL loan and loan advance.
- Broad Eligibility – includes small businesses, sole proprietorships, independent contractors and most private non-profits. Applicant must have been in operation on January 31, 2020.
- Generous Terms – No fees. Max \$2MM loan, although most loans will be for a much lesser amount. Max 30-year term. 3.75% interest rate, 2.75% for non-profits. Payments can be deferred for up to a year, but interest accrues during that period. Personal guarantees are waived for loans of \$200,000 or less.
- Borrower self-certifies that they are experiencing a temporary loss of revenue due to COVID-19. The permitted uses of the funds are broadly defined to cover operational expenses such as payroll, rent and utilities.

SBA EIDL & Emergency Loan Advance

- Application can only be completed online at <https://covid19relief.sba.gov/#/>. SCORE clients tell us it takes less than 15 minutes apply if they are prepared. Record and retain the application number received after submission. Application deadline is December 2020. SBA Disaster Customer Service Center (800)659-2955.
- Applicants are required to supply the following information:
 - For-profits: 2/1/19-1/31/20 revenues; cost of goods sold for the same period; # of employees (full-time and part-time) as of 1/31/20.
 - Non-profits: 2/1/19-1/31/20 cost of operation; # of employees as of 1/31/20
- Timeframe for loan approval is unknown due to heavy demand; expect several weeks. Applicant can decline the loan with no obligation. Take note – there are no forgiveness provisions for this loan.

SBA EIDL & Emergency Loan Advance

- The Emergency Loan Advance (a grant, really) is intended to be a quick infusion of a smaller amount of cash (up to \$10,000) to cover immediate business needs like payroll and other operating expenses.
- Apply for the advance in the EIDL loan application. The applicant checks the box “I would like to be considered for an advance of up to \$10,000.”
- SBA aims to transfer the funds to the applicant’s bank account within days after the application is successfully submitted.
- The advance is essentially a grant and does not have to be repaid, even if the EIDL loan is denied or declined.

\$349 Billion Paycheck Protection Program (PPP)

- Portion of \$2 trillion CARES Act allocated to most types of small businesses to help keep workers employed
- Provides 100% federally guaranteed loans administered through SBA 7a program (applications available 4/3/2020 through 6/30/2020)
- Eligibility depends on being in business and having employees, not credit worthiness or ability to repay the loan
- Contains provision for loans to be forgiven if borrowers maintain their payrolls during the crisis

PPP – Quick look

- Available to small businesses, 501(c)(3)s, sole proprietors, independent contractors, or self-employed
- Loan amount = 2.5 times average pre-crisis (2019) monthly payroll costs
- Loan proceeds may be used for most payroll costs, interest payment on loans, rent, utilities.
- No collateral or guarantees or loan fees
- Loan is due in 2 years at 1% interest, but has no payments for 6 months
- Up to 100% of loan may be forgiven if employees are retained and at least 75% of proceeds are spent on payroll costs in the 8 weeks following loan closing. Forgiveness is reduced if FTE headcount declines or if salaries/wages decrease. (FTE = full time equivalents covering full and part time employees, no contractors)
- Loans made through SBA 7(a) Lenders – your bank is probably one of them. Each bank has a slightly different procedure for receiving applications, so look on your bank website. All are using SBA form and require submission of supporting documents. Most are overwhelmed!
- **Good sources of information:**
 - <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>
 - <https://www.lancasterchamber.com/Apps/Pages/coronavirusnews>

PPP – Getting Ready to Apply

- **Locate Lender:** Most Banks and some Credit Unions are SBA 7a lenders and are participating in the PPP program. Who do you bank with??
 - Start there: but most banks are restricting applicants to existing customers
 - Look on your bank’s website for information. Search for terms: “Coronavirus”, ”ppp” if necessary
 - Call your bank if possible for application information and to let them know you are considering applying. Be patient; they are all under an avalanche!
- **Collect necessary documentation:**
 - Tax ID number, ownership information: include all owners
 - Last 12 months payroll information: payroll reports (including benefits info), 1099-MISC if appropriate
- **Download application and application instructions from your lender:** they can vary
- **Applications to most banks are made via email or other e-portal:** sooner the better
- **Turnaround time is supposed to be rapid, but it is too early to tell.**

Interactions between EIDL and PPP

- Generally, an organization may apply for (and receive) both an EIDL and a PPP loan.
- If an organization receives an EIDL loan advance, the amount will be subtracted from the calculation of any loan forgiveness amount for a PPP loan.
- The proceeds from an EIDL loan and a PPP loan cannot be used for the “same purpose.” For example, the borrower cannot report to have used both loans to cover the same payroll. The loans can, however, be used to cover different payroll periods. The proceeds must be used to pay for different allowable expenses (i.e., no double counting).
- Keep very careful records of how loan proceeds are spent.



Thank you

Questions, answers, and "we don't knows"