



## *SBA Coronavirus Loan Products Compared 3/31/2020*



## Agenda

CARES Act Small Business Provisions:

- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loans (EIDL)
- Small Business Debt Relief Program



## Paycheck Protection Program

### Provides funding to:

1. Help small business cover their near-term operating expenses related to the coronavirus crisis
2. Provide a strong incentive for employers to retain their employees

### Other features:

- Loan forgiveness of up to 8 weeks of payroll based on employee retention and salary levels
- No SBA fees,
- At least six months of deferral with maximum deferrals of up to a year.



## PPP Eligibility

- Small business concerns with fewer than 500 employees
- 501(c)(3) nonprofit organizations
- a 501(c)(19) veterans organizations
- or Tribal business concerns described in section 31(b)(2)(C)
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals
- Some Franchises will qualify



## PPP Loan Uses

- Payroll costs (with some restrictions)
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations (see exclusions above)
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period



## Terms

- \$10M maximum loan amount
- 0.5% interest
- 2 year maturity
- Administered by SBA Lender banks or other Federally approved lender
- No prepayment penalties
- Payments can be deferred up to 12 months.



## How Is the Loan Size Determined

- **If you were in business February 15, 2019 – June 30, 2019:**
  - Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- **If you were not in business between February 15, 2019 – June 30, 2019:**
  - Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.

## Eligible Payroll Costs

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of State or local tax assessed on the compensation of employees

## Ineligible Payroll Costs

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the *Families First Coronavirus Response Act*

## Application Documentation Needed

- Employee wages for the last 12 months, including you – contact your payroll provider for the report. Include:
  - paid time off, vacation, sick pay, family medical pay, etc. All of this is eligible to be included. The more you can show the better, as this will increase the loan amount.
- Withholding for state and local taxes on employee compensation
- 1099s paid to independent contractors

## Application Documentation Needed (cont.)

- Documentation showing how much, you, the employer paid in employee group health insurance premiums for the past 12 months. Your insurance company should be able to provide this.
- Documentation showing the amount of retirement plan funding the employer made for employees over the past 12 months (profit sharing 401(k) plans, cash balance plans, SIMPLE and SEP IRAs). If your 2019 plan administration has been completed, you should use this as the basis for these figures. (Employees' own 401(k) salary deferrals won't count for these purposes).



## Forgiveness Process

You must apply through your lender for forgiveness on your loan. In this application, you must include:

- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
- Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
- Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.



## EIDL

### Overview:

- Provide working capital loans for business injury related to the coronavirus (keeps the business in business)
- These working capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred.

### Other features:

- Has option for a \$10,000 advance (forgiven)
- 12 months payment deferral



## EIDL Eligibility

- Small business with not more than 500 employees
- Individual who operates under a sole proprietorship, with or without employees, or as an independent contractor
- Cooperative with not more than 500 employees
- Employee Stock Ownership Plan (ESOP) with no more than 500 employees
- Tribal small business concern
- Agricultural cooperative, aquaculture enterprise, nursery that is small under SBA size guidelines
- Businesses over 500 employees that is small under SBA size guidelines
- Private non-profit that is a non-governmental agency operating under section 501 c, d, or e of the IRS Code.



## EIDL Loan Uses

- Fixed expenses related to injury related to coronavirus
  - Employee salaries
  - paid sick/medical leave
  - insurance premiums
  - Mortgage
  - Rent
  - utilities payments

## Terms

- \$2M maximum loan amount
- 3.75% for small businesses
- 2.75% for non-profits
- Administered by SBA, online application
- No prepayment penalties
- Payment can be deferred for 12 months



## How to Apply

Online at:

<https://www.sba.gov/funding-programs/disaster-assistance>

View instructional video at:

<https://sbdctec.com/resources-for-businesses-during-corona-virus-crisis/>



	SBA Economic Injury Loan	Paycheck Protection Program
Description	"To keep business in business"	Help small businesses cover near term expenses and keep employees working
Eligible businesses	Small business with fewer than 500 employees, non profits	Small businesses with fewer than 500 employees , 501c3, 501c19 or tribal business
Maximum loan amount	Up to \$2M	Up to \$10M
Terms	3.75% (2.75% NFP), up to 30 years	0.5%, up to 2 years
Administered by	SBA	SBA approved lenders
Allowable uses of funds	Employee salaries, paid sick/medical leave, insurance premiums, mortgage, rent and utilities payments.	Payroll costs, health care benefits, salaries, commission, interest on mortgage, rent and utilities payments, interest on other debt obligations
Available loan forgiveness	Forgiveness on \$10,000 advance	Loan forgiveness of up to 8 weeks of payroll based on employee retention and salary levels
Prepayment penalties	None	None
Deferred payment timeline	Up to 12 months	6-12 months



## Questions?

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