

# NFIB COVID Webinar Part IV: How to Apply for a Coronavirus Small Business Loan

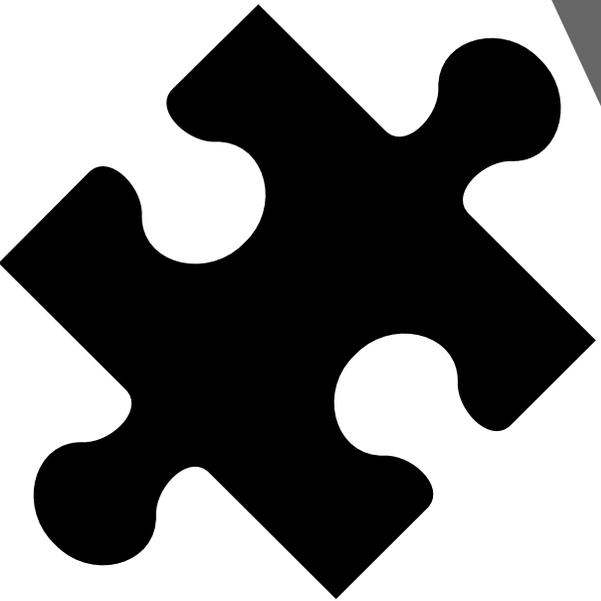
April 3, 2020



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# Paycheck Protection Program Loan (PPPL)



# PPPL – Who Can Apply?

I. Any business that was in operation as of February 15th, 2020; and

II. Is one of the following Business Types:

1. Any business with less than 500 employees that are affected by COVID-19.

**Including:**

a. Sole Proprietorships

b. Independent Contractors

c. Self-Employed Persons

d. Private Non-Profit Organizations

e. Internal Revenue Code 501(c)19 veterans organizations

2. Small Businesses in Hospitality and Food Industry with more than one location if each store employs less than 500 workers; and

3. Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.



# PPPL - How to Apply?

- A sample of the application for the program may be found [here](https://home.treasury.gov/).  
<https://home.treasury.gov/>
- Consult with your local bank to see if they are participating in this program.
- This is NOT a program you directly apply for through the SBA.

# PPPL - How to Apply?

- If your bank or financing institution is not participating, you may apply through the following organizations:
- Through any existing SBA 7(a) Lender. A list of SBA 7(a) Lenders may be found [here](#).

# When Will Loan Applications Be Processed?

- Lenders may begin processing loan applications as soon as April 3, 2020.
- However, it may take longer for participating banks to start accepting applications as many are still developing their internal operations to accepting and process these loans.
- And, some lenders may give preference to current customers before non-customer applicants, so check with your bank to see if they are participating if you're interested.

# What Information is Needed for the Loan Application?

1. Documentation for the average monthly payroll and average monthly full-time equivalents, based on the 12 months from April 2019 through March 2020. If you have seasonal employees, that is fine- your lender will work with you;
2. The average payroll by category: salary, hourly, commissions, vacation, sick leave, group health care (both union and non-union) and retirement contributions (both union and non-union);
3. The tax ID# and full legal name of each entity;

# What Information is Needed for the Loan Application?

4. Ownership information to assist in evaluation of the impact of affiliate entities. For any owners who have more than a 50% ownership interest, obtain a complete listing of other entities in which they also hold more than a 50% ownership interest;
5. Documentation on any other COVID-19 relief programs you are applying for (e.g., payroll tax credits, etc.).

## Reduction Based on Number of Employees

In order to determine the amount of PPPL principal forgiveness, divide:

- the average number of FTEs per month (by calculating the average number of FTEs for each pay period falling within the month) for the 8-week period following the date of a PPP loan origination by
- the number of FTEs per month in a prescribed period. Generally, that prescribed period would be the more favorable of (a) the period from February 15, 2019 through June 30, 2019 or (b) the period from January 1, 2020 through February 29, 2020. But, for a seasonal business “as determined by the Administrator” of the SBA, it must use the period from February 15, 2019 through June 30, 2019.

A reduction occurring between February 15, 2020 and 30 days after March 27, 2020 (April 26, 2020?) does not count if the reduction in number is eliminated by June 30, 2020.



## Reduction Based on Salary

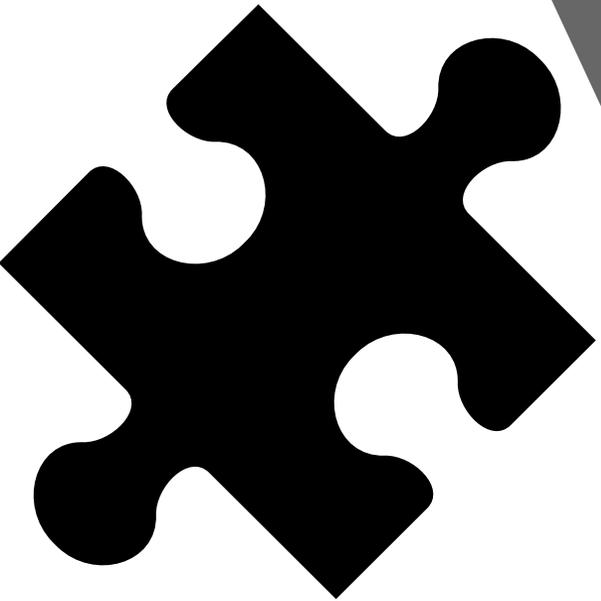
The amount of forgiveness is reduced by the amount of any reduction in total salary or wages in the 8 weeks following the loan that is in excess of 25% of any employee who did not receive during any single pay period in 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000.

A reduction occurring between February 15, 2020 and 30 days after March 27, 2020 (April 26, 2020?) does not count if the reduction in salary or wages of the employee is eliminated by June 30, 2020.

It is unclear if back pay is required to eliminate the reduction or if it is on a going-forward basis only.



# Emergency Injury Disaster Loan (EIDL)



## EIDL – Who Can Apply?

- To be eligible for EIDL assistance, small businesses or private non-profit organizations must have sustained economic injury.
- Sole proprietors and single member LLCs are eligible for SBA funding.

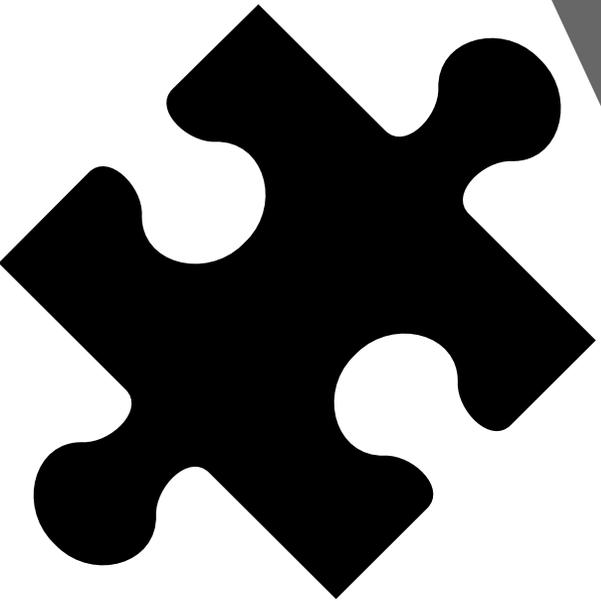
## EIDL – How to Apply?

- Apply online on the SBA's website [here](#).
- **Note the COVID-19 EIDL requirements differ from other SBA EIDL in the past.** The process has been shortened to a quick and easy initial application which takes about 30 minutes to complete and can qualify you for a \$10,000 advance of funds in about three business days.

# When Will Loan Applications Be Processed?

- Provided that you applied after 3/30 on the new quick portal, if you checked that you are interested in getting the \$10,000 advance you should have the first \$10,000 in about three days. As for the rest of the funds the SBA should reach out to you for additional documents and information within 21 days.

# Overview of COVID-19 Loan Programs





<b>Loan Program</b>	<b>Economic Injury Disaster Loan (EIDL)</b>	<b>Paycheck Protection Program Loan (PPPL)</b>
<b>Lender</b>	Small Business Administration (SBA)	Financial institutions (commercial banks, credit unions, and other approved lenders)
<b>Program Period</b>	through December 31, 2020	through June 30, 2020 (Covers 8-weeks of eligible expenses after loan origination.)
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Have 500 or fewer employees,</li> <li>• Are a sole proprietor, independent contractor, or self-employed individual.</li> </ul> AND <ul style="list-style-type: none"> <li>• Been in business since January 31, 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• Have 500 or fewer employees,</li> <li>• Are a sole proprietor, independent contractor, or self-employed individual,</li> <li>• A small business that meets the SBA small business industry-specific standards,</li> <li>• Operate an accommodation or food service business (NAICS Code 72) with 500 or fewer employees per location,</li> <li>• A business assigned a franchise operator code by SBA,</li> <li>• A business that receives assistance under the Small Business Investment Act.</li> </ul> AND <ul style="list-style-type: none"> <li>• Been in business since February 15, 2020 and paid taxes on your employees or independent contractors.</li> </ul>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>• The maximum loan size is \$2 million.</li> <li>• Applicants who apply for this loan may request an advance Emergency EIDL grant of up to \$10,000 from the SBA.</li> </ul>	<ul style="list-style-type: none"> <li>• 2.5x the average monthly “payroll” costs, measured over the 12 months preceding the loan origination date. Seasonal business may use the period February 15, 2019 – June 30, 2019 or March 1, 2019 – June 30, 2019 to calculate the average payroll.</li> <li>• The maximum loan size is \$10 million.</li> <li>• “Payroll” includes:               <ul style="list-style-type: none"> <li>○ Salaries, commissions, tips,</li> </ul> </li> </ul>



		<ul style="list-style-type: none"> <li>○ Employee benefits (including health insurance premiums and retirement benefits),</li> <li>○ State and local taxes,</li> <li>○ Compensation to sole proprietors or independent contractors.</li> </ul> <ul style="list-style-type: none"> <li>● "Payroll" excludes: <ul style="list-style-type: none"> <li>○ Annual salary in excess of \$100,000,</li> <li>○ Foreign employees,</li> <li>○ FICA and income tax withholdings.</li> </ul> </li> </ul>
<b>Eligible Expenses</b>	<ul style="list-style-type: none"> <li>● Payroll costs, including benefits,</li> <li>● Fixed debts (mortgage, rent, lease),</li> <li>● Accounts payable,</li> <li>● Other bills.</li> </ul>	<ul style="list-style-type: none"> <li>● Payroll costs, including benefits,</li> <li>● Interest on mortgage obligations, incurred before February 15, 2020,</li> <li>● Rent, under lease agreements in force before February 15, 2020 and</li> <li>● Utilities, for which service began before February 15, 2020.</li> </ul>
<b>Term Duration</b>	Up to 30 years	Up to 2 years
<b>Interest Rate</b>	3.75% for businesses, 2.75% for nonprofits	1% for all borrowers
<b>Forgiveness</b>	<p>No loan forgiveness</p> <p>Emergency EIDL grant of up to \$10,000 is forgiven. Grant must be used for the following expenses:</p> <ul style="list-style-type: none"> <li>○ Providing paid sick leave to employees unable to work due to the direct effect of the COVID-19,</li> <li>○ Maintaining payroll to retain employees during business disruptions or substantial slowdowns,</li> <li>○ Meeting increased costs to obtain materials unavailable from the applicant's original source due to interrupted supply chains,</li> <li>○ Making rent or mortgage payments,</li> </ul>	<p>Eligible expenses (below) within an 8-week period from date of loan origination:</p> <ul style="list-style-type: none"> <li>● Payroll costs (including everything listed above),</li> <li>● Payments on mortgage interest,</li> <li>● Rent,</li> <li>● Utilities.</li> </ul> <p>***Your loan forgiveness will be reduced if you decrease the number of your full-time and/or decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.</p> <p>Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.***</p>



	<ul style="list-style-type: none"> <li>o Repaying obligations that cannot be met due to revenue losses.</li> </ul>	
<b>Repayment</b>	Unclear about deferred	Payments (and interest) are deferred for 6 months
<b>Collateral Requirement</b>	No	No
<b>Personal Guarantee</b>	Not for loan less than \$200,000	No
<b>Prepayment Penalties</b>	No	No
<b>Required Documents</b>	<ul style="list-style-type: none"> <li>• <b>SBA Form 5 (Application),</b></li> <li>• <b>Credit score,</b></li> <li>• IRS Form 4506T,</li> <li>• Most recent federal income tax returns for the business,</li> <li>• SBA Form 1143 (Personal Financial Statement),</li> <li>• SBA Form 2202 or a similar schedule of liabilities listing all fixed debts.</li> </ul>	<ul style="list-style-type: none"> <li>• Two page application <a href="#">HERE</a></li> <li>• Payroll expenses</li> </ul>
<b>Availability</b>	Loans available now	(Will vary by participating banks) <b>April 3, 2020</b> , small businesses and sole proprietorships, <b>April 10, 2020</b> , independent contractors and self-employed individuals

Notes: NFIB Covid-19 Small Business Resources [HERE](#)

Economic Injury Disaster Loan (and EIDL grant) application [HERE](#)

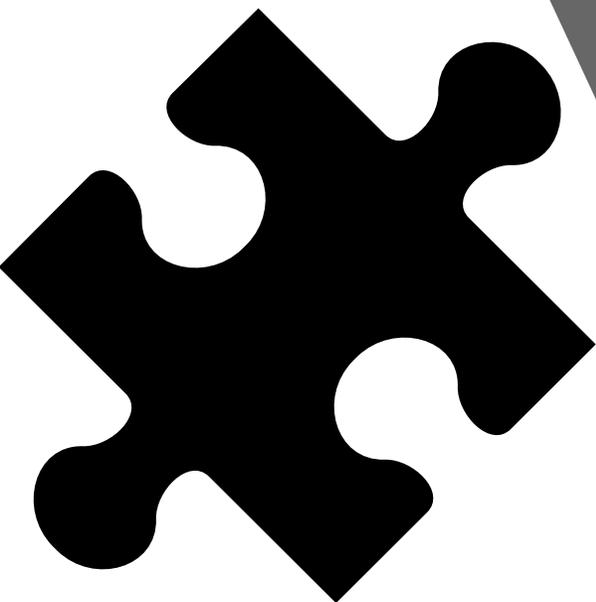
Paycheck Protection Program Loan (PPPL) Borrower information [HERE](#)

Paycheck Protection Program Loan (PPPL) Application [HERE](#)



- Generally, the PPPLs are more helpful for those using the loan mostly for payroll expenses (forgivable expense) as opposed to other expenses.
- If you need a loan more for expenses other than payroll, the EIDL program might be better for you.

Other Assistance



# FFCRA Paid Leave Reimbursement

- If an employer is paying out more in COVID-19-required leave than its payroll tax liability, "[the employer can immediately file for a refund](#) on forms that the IRS expects to issue" shortly, according to law firm Hanson Bridgett. The IRS expects to process these refunds within two weeks under a new, expedited procedure.
- Eligible employers will be able to claim these credits based on qualifying leave they provide between April 1 and Dec. 31, 2020. Equivalent credits are available to self-employed individuals who become ill or must care for a family member.
- Eligible employers can now use [Form 7200, Advance Payment of Employer Credits Due to COVID-19](#), to request an advance payment of tax credits. Employers must retain records supporting each employee's leave to substantiate the claim for receiving payment of the advance credit, see [How to Claim the Credits](#) on the IRS website.



# Employee Retention Tax Credit

- The credit, available through 2020, is equal to 50% of wages (including qualified health plan expenses) of up to \$10,000 per worker. (So, the maximum credit per employee is \$5,000 this year.)
- The credit can be claimed against quarterly payroll taxes. The Treasury can make advance payments of the tax credit and waive penalties for employers who don't pay applicable payroll taxes in anticipation of receiving the credit.

# SBA Express Bridge Loans

- This program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000.00. These loan funds can be used to help overcome the temporary loss of revenue a business owner is experiencing. These loans can be term loans or serve as bridge financing while a business waits for a decision and/or disbursement of an Economic Injury Disaster Loan.
- Find an Express Bridge Loan Lender by connecting with your [local SBA District Office](#).



# SBA Debt Relief Program

As a reprieve to small business owners, the SBA is providing the following debt relief:

1. The SBA will pay the principal and interest of current SBA 7(a) loans for a period of six months.
2. The SBA will also pay the principal and interest of new SBA 7(a) loans, including Paycheck Protection Program loans, issued prior to September 27, 2020.



# Unemployment Insurance Eligibility

- The PUA program is a temporary UI program that provides assistance to individuals, including self-employed and independent contractors, who are fully or partially unemployed as a direct result of COVID-19, beginning January 27, 2020 through December 31, 2020.
- The CARES Act provides benefits of \$600 per week (only through July 31, 2020) in addition to the amount provided under a state's compensation law through December 31, 2020.

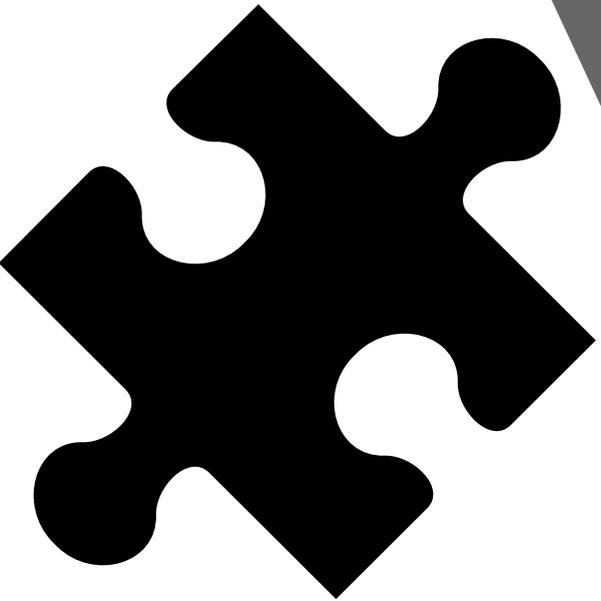
# Unemployment Insurance Expanded

- Unemployment assistance will now extend to self-employed workers, including independent contractors, freelancers, farmers and gig workers. Self-employed workers with a limited liability company (LLC) or S corporation qualify.
- Can self-certify that he or she is able to work, but who is unable to work due to COVID-19 such as: movement restrictions, employment closures, medical diagnoses, and quarantines.
- If an individual is eligible to telework with pay, or has paid sick leave or expanded family and medical leave, they will not be eligible for unemployment assistance.

# Stimulus Check Payments

- The federal government is sending \$1,200 in cash to each person, or \$2,400 to married couples. To receive this amount, you'll need an individual adjusted gross income of less than \$75,000, or \$112,500 for heads of household and \$150,000 for joint filers.
- Single filers who earn up to \$99,000 and joint filers who earn up to \$198,000 receive reduced amounts. That's because every \$100 in income above the threshold reduces your rebate by \$5.
- Also, eligible families with children will receive \$500 per child.

# Relationship Between Programs



# What are the EIDL, PPPL, and FFCRA rules on double-dipping?

- Those who received an EIDL to cover costs other than those covered by the PPPL program are not barred from applying to for a PPPL. One can receive loans under both programs.
- **However, one cannot use the proceeds of both loans for the same business purposes.**

# What are the EIDL, PPPL, and FFCRA rules on double-dipping?

- Many people may have taken out an EIDL on or after January 31, 2020 to cover cost that are would otherwise become tax-free forgivable debt under the PPPL.
- If this situation applies to you, **you may be able to refinance eligible parts of the EIDL with a PPPL**. Please talk with your financial advisor and lending partner for more details.

# What are the EIDL, PPPL, and FFCRA rules on double-dipping?

- Many people are utilizing the Payroll Tax Credit Program created through the Families First Coronavirus Response Act to cover the cost associated with providing Paid Leave and Paid Family Leave for COVID-19 related matters.
- **Note that you cannot use PPPL to cover the same cost covered through the Payroll Tax Credit Program of the Families First Coronavirus Response Act.**

# Additional Information

1. Support in preparing program applications for this and other Small Business Administration programs to address COVID-19 related challenges to your business is provided by some [Small Business Development Centers \(SBDC\)](#) or your [local SCORE chapter](#).
2. If you need assistance in preparing financial documentation to support your application, reach out to your payroll servicers and benefits providers for additional details regarding payroll related cost.

# Additional Information

3. If your business is an LLC or Corporation-to determine if your business is in good standing, please check with your secretary of state. If you are not in good standing, please consult a business attorney or advisor with experience in helping business owners get back in good standing with your state.
4. The SBA has a hotline to help answer questions **1-800-659-2955** it is manned from 7:00AM to 9:00PM 7 days a week.
5. Finally, please consult your accountant, financial advisors, SBA advisors and bankers to determine the right set of programs for your business.



# Additional Information

## **NFIB:**

<https://www.nfib.com/content/analysis/coronavirus/latest-on-coronavirus-from-nfib/>

## **U.S. Department of Treasury**

<https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

## **Small Business Administration (SBA):**

<https://www.sba.gov/disaster-assistance/coronavirus-covid-19>

## **Department of Labor (DOL):**

<https://www.dol.gov/agencies/whd/pandemic>



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