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Agenda for Today – SBA Loans and Process

SBA Disaster loans – SBA online Application – 501(c), 501(d) and 501(e)

PPP Loans – through a Bank or SBA Approved Lender 501(c) 3 or 501(c) 19
**Paycheck Protection Program (PPP)**

- Payroll Expenses
- Employee Salaries
- Mortgage Interest
- Rent and Utilities
- Interest on debt incurred before 2.15.20

2.5X *business’s average monthly payroll*

$ up to $2 million

*Fixed*

0.5% Annual Percentage Rate

**Economic Injury Disaster Loan (EIDL)**

- Payroll
- Fixed Debts
- Accounts Payable
- Other expenses that can’t be paid because of the disaster’s impact

*Non-profits at 2.75%*

3.75% Annual Percentage Rate

no payments for first

6-12 months then a 2-year term

up to 30 years

up to 100% with approval

0% forgivable for forgiveness

Info Graphic Source: [https://www.liveoakbank.com/paycheck-protection-program-sign-up/](https://www.liveoakbank.com/paycheck-protection-program-sign-up/)
SBA Disaster loans
SBA COVID-19 Economic Industry Disaster Loans

• The SBA is making business loans **up to $2 million** available for members of the U.S. Small Business Administration, including small business and private non-profit corporations
  • Interest rate is 3.75% for small businesses
  • **Interest rate is 2.75% for non-profits**
  • Long-term repayment options over the course of up to 30 years

• The loan can be used for: fixed debts, payroll, accounts payable, and other bills the business can’t afford to pay because of a loss of revenue attributable to COVID-19. [https://disasterloan.sba.gov/ela/information/index](https://disasterloan.sba.gov/ela/information/index) or [sba.gov/disaster](https://sba.gov/disaster)
How to Apply for an SBA Disaster Loan
Fact Sheet – Economic Injury Disaster Loans

U.S. SMALL BUSINESS ADMINISTRATION

FACT SHEET – ECONOMIC INJURY DISASTER LOANS

UTAH Declaration #16338
(Disaster: UT-00069)
Incident: CORONAVIRUS (COVID-19)

occurring: January 21, 2020 & continuing

All counties within the State of Utah:
the contiguous Arizona counties of: Apache, Coconino, Mohave & Navajo;
the contiguous Colorado counties of: Dolores, Garfield, Mesa, Moffat, Montezuma, Montrose,
Rio Blanco & San Miguel;
the contiguous Idaho county of: Bear Lake, Cassia, Franklin & Oneida;
the contiguous New Mexico county of: San Juan;
the contiguous Wyoming county of: Elko, Lincoln & White Pine;
and the contiguous Wyoming counties of: Lincoln, Sweetwater & Uinta

Application Filing Deadline: December 17, 2020

Disaster Loan Assistance Available:
Economic Injury Disaster Loans (EIDLs) – Working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a result of the disaster. These loans are intended to assist through the disaster recovery period.

Credit Requirements:

- Credit History – Applicants must have a credit history acceptable to SBA.
- Repayment – Applicants must show the ability to repay the loan.
- Collateral – Collateral is required for all EIDL loans over $25,000. SBA takes real estate as collateral when it is available.
- SBA will not decline a loan for lack of collateral, but SBA will require the borrower to pledge collateral that is available.

Interest Rates:
The interest rate is determined by formulas set by law and is fixed for the life of the loan. The maximum interest rate for this disaster is 3.75 percent.

Loan Terms:
The law authorizes loan terms up to a maximum of 30 years. SBA will determine an appropriate installment payment based on the financial condition of each borrower, which in turn will determine the loan term.

Loan Amount Limit:
The law limits EIDLs to $200,000 for alleviating economic injury caused by the disaster. The actual amount of each loan is limited to the economic injury determined by SBA, less business interruption insurance and other recoveries up to the administrative lending limit. SBA also considers potential contributions that are available from the business and/or its owners or affiliates. If a business is a major source of employment, SBA has the authority to waive the $200,000 statutory limit.

Loan Eligibility Restrictions:
Noncompliance – Applicants who have not complied with the terms of previous SBA loans may not be eligible. This includes borrowers who did not maintain required flood insurance and/or hazard insurance on previous SBA loans.

Note: Loan applicants should check with agencies / organizations administering any grant or other assistance program under this declaration to determine how an approval of SBA disaster loan might affect their eligibility.

Refinancing:
Economic injury disaster loans cannot be used to refinance long-term debts.

Amendment #1
NEW Streamlined Application Process
COVID-19 Economic Injury Disaster Loan

• As of March 29th, 2020, the Small Business Association has updated their application process specifically for COVID-19 Economic Injury Disaster Loans.

• The process now entails filling out much shorter application available solely online, with estimated completion time around 2 hours or less.
  • This will allow a quicker turn-around time from application to funds disbursement.
  • The loan application can be found at https://covid19relief.sba.gov/#/

• Other disaster loans, however, must be filed through the old process.

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Emergency Economic Injury Grants - SBA

• The CARES Act includes $10 billion in funding for a provision to provide an advance of up to $10,000 to small businesses and nonprofits that apply for an SBA economic injury disaster loan (EIDL) within three days of applying for the loan.

• These grants do not need to be repaid, even if the grantee is subsequently denied an EIDL.

• It can be used to provide paid sick leave to employees, maintaining payroll, meet increased production costs due to supply chain disruptions, or pay business obligations (debts, rent, mortgage, etc.).

• Eligible grant recipients must have been in operation by Jan. 31st, 2020.

Emergency Economic Injury Grants (cont...)  

• Finally, a business that receives an economic injury disaster loan (EIDL) between January 31, 2020 and June 30, 2020 as a result of the COVID-19 disaster is eligible to apply for a PPP loan or refinance the EIDL into a PPP Loan.

• In either case, the Economic Injury Grant would need to be subtracted from the amount forgiven in the Paycheck Protection Plan.

Important!

• As part of the CARES Act stimulus package, the government has also created the Paycheck Protection Program which also offers loans for small businesses. Through Banks or Approved SBA Lenders.

https://covid19relief.sba.gov/

• Borrowers can apply for both SBA Economic Injury Disaster loans and PPP loans.

https://disasterloan.sba.gov/ela/
or
sba.gov/disaster

• As a reminder, these are two different application processes.

  • Disaster Loans – Direct on SBA website
  • PPP Loans through your Bank or SBA approved lender
Streamlined Application Requirements

From the SBA website:  https://covid19relief.sba.gov/#/

• SBA is collecting the requested information in order to make a loan under SBA's Economic Injury Disaster Loan Program to the qualified entities listed in this application that are impacted by the Coronavirus (COVID-19). The information will be used in determining whether the applicant is eligible for an economic injury loan. If you do not submit all the information requested, your loan cannot be fully processed.

• The Applicant understands that the SBA is relying upon the self-certifications contained in this application to verify that the Applicant is an eligible entity to receive the advance, and that the Applicant is providing this self-certification under penalty of perjury pursuant to 28 U.S.C. 1746 for verification purposes.

• The estimated time for completing this entire application is two hours and ten minutes, although you may not need to complete all parts. You are not required to respond to this collection of information unless it displays a currently valid OMB approval number.
Step 1: Eligible Entity Verification - Online

- Applicant must first self-identify based on their entity type. 
  - Business of less than 500 employees, individual contractor, etc.

- Then, applicant must verify and agree to **all of the following:**
  - Applicant is not engaged in any illegal activity.
  - No principal of the Applicant with a 50% or greater ownership interest is more than sixty days delinquent on child support obligations.
  - Applicant is not an agricultural enterprise.
  - Applicant does not present live performances of a prurient sexual nature.
  - Applicant is not in the business of lobbying.
  - Applicant cannot be a state, local, or municipal government entity and cannot be a member of congress.

**HINT:** All of these boxes must be checked before proceeding.
Step 2: Business Information - Online

- Applicant must fill out online form with the following **required** information:
  - Business Legal and Trade Name
  - Employer Identification Number/SSN
  - Organization Type (LLC, sole proprietorship, etc.)
  - If organization is a non-profit or franchise
  - Gross revenues for 12 months prior to date of disaster (Jan. 31, 2020)
  - Cost of goods sold for 12 months prior to date of disaster (Jan. 31, 2020)
  - Business address, phone number, and email
  - Date that business was established
  - How long business has been under current ownership
  - Number of Employees
  - Business activity and detailed business activity
    - Example: Finance (business activity) → Accounting (detailed business activity)
U.S. Small Business Administration DISASTER BUSINESS_loan APPLICATION (Form 5)
Step 2: Business Information - online

• Applicant **may** need to include the following information, if applicable to organization type: [https://covid19relief.sba.gov/#/](https://covid19relief.sba.gov/#/)

  - Lost rents due to disaster
  - Non-profit cost of operation for 12 months prior to date of disaster (Jan. 31, 2020)
  - Combined annual operating expenses for 12 months prior to date of disaster (Jan. 31, 2020) for all secular social services provided by faith-based entity
  - List of secular social services provided by faith-based entity
  - Compensation from other sources received as a result of disaster
    - Brief description of other compensation sources, if applicable

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U.S. SMALL BUSINESS ADMINISTRATION ECONOMIC INJURY DISASTER LOAN SUPPORTING INFORMATION (Form 19)

<table>
<thead>
<tr>
<th>Question</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Was the business in operation one year prior to the disaster?</td>
<td></td>
</tr>
<tr>
<td>Gross Revenues for the twelve (12) month period prior to the disaster.</td>
<td>$</td>
</tr>
<tr>
<td>Cost of Goods Sold for the twelve (12) month period prior to the disaster</td>
<td>$</td>
</tr>
<tr>
<td>Rental properties (residential and commercial) only. Lost rents due to the disaster</td>
<td>$</td>
</tr>
<tr>
<td>Compensation from other sources received as a result of the disaster (provide a brief description below):</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>SIZE STANDARD*:</td>
<td></td>
</tr>
<tr>
<td>SBA’s size standards define whether a business concern is small and, therefore, eligible for an Economic Injury Disaster Loan.</td>
<td></td>
</tr>
<tr>
<td>I certify all above information provided and the size of the applicant business does not exceed the size standard for the industry in which the business is primarily engaged.</td>
<td></td>
</tr>
<tr>
<td>Signature and Title</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td></td>
</tr>
</tbody>
</table>

* SBA establishes size standards by industry under the North American Industry Classification System (NAICS) [https://www.census.gov/naics]. Business size standards, by NAICS code, may be found at 13 CFR §121.201 [https://actiovoes.org/Title-13/13CFR121_201].
ODA Form P-019 (03-2020)
Step 3: Business Owners Information

- Applicant must provide the following information for each principal owning more than 20% of applicant business:
  - Name
  - Phone number
  - Title
  - Ownership percent
  - Email
  - SSN
  - Birth date
  - Place of birth
  - Residential address

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Step 4: Additional Information

• Finally: https://covid19relief.sba.gov/#/
  • Applicant must provide information on any criminal offenses.
  • Applicant must provide information if they received assistance or paid a fee to have third-party assistance to fill out application.
  • Applicant must give permission for the SBA to discuss information with third-party assistance, if applicable.
  • Applicant must declare if they would like to be considered for an advance of up to $10,000. This is the Emergency Economic Injury Grant request.
  • Applicant must provide bank information (accounting and routing numbers) for loan disbursement.
Applicant Tips

• To ensure quick processing, verify that all contact information is correct and that all forms are signed and dated.

• Contact an SBA Disaster Representative by calling 1-800-659-2955 if any issues arise.

• If the business has filed an insurance claim, **do not wait** for their insurance company to settle before applying for an SBA loan. Insurance recovery does not need to be final for SBA to approve a loan.
CARES ACT Stimulus Overview


• The stimulus package will provide aid to workers, small businesses, corporations, and health care providers that have been affected by the virus. [https://gop-waysandmeans.house.gov/the-senate-cares-bill-helping-small-business/](https://gop-waysandmeans.house.gov/the-senate-cares-bill-helping-small-business/)
Paycheck Protection Program

• The bill creates a paycheck protection program (PPP) for small employers, self-employed individuals, and “gig economy” workers.

• The PPP would provide 8 weeks of cash-flow assistance through 100 percent federally guaranteed loans to small employers who maintain their payroll during this emergency.

• If employers maintain their payroll, the loans would largely be forgiven.

• This proposal would be retroactive to February 15th, 2020 to incentivize bringing laid-off employees back onto payrolls.

Paycheck Protection (continued...)

• Employers that have faced closure or suffered economic hardship due to the pandemic that continue to pay employees that are furloughed may be eligible for a 50% credit on up to $10,000 of wages paid to those employees.  

• This will help small businesses stay afloat and ensure that furloughed workers have jobs to return to.  
  https://gop-waysandmeans.house.gov/the-senate-cares-bill-tax/
What are the PPP loan terms, interest rates, & fees?


• The maximum term is 10 years. US Treasury’s guidance 2 years.

• The maximum interest rate is 4%. US Treasury’s guidance .5%.

• There are zero loan fees and zero prepayment fees.

• Additionally, the SBA will establish application fee caps for lenders that charge.
Can I apply for both an EIDL and PPP loan?

You can apply for both. However...

If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP. However, you cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.

What’s the covered loan period?

The PPP covered loan period is retroactive to February 15\textsuperscript{th}, 2020 through June 30\textsuperscript{th}, 2020.

Which businesses are eligible for a PPP loan?

- Small businesses, nonprofits, tribal business concerns, and veterans’ organizations that were in business on February 15th, 2020 and...
  - Have less than 500 employees or the applicable size standard for the industry as provided by the SBA, or...
  - Are sole proprietors, self-employed individuals, or independent contractors


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What about affiliation rules?

- Affiliation rules become important when the SBA is deciding whether a business’s affiliations prevent them from being considered “small”.
- Generally, affiliation exists when one business/third party controls or has the power to control another.
- The SBA website provides this resource to determine eligibility in regards to affiliations: https://www.sba.gov/sites/default/files/affiliation_discussion_0.pdf
What’s the maximum PPP loan amount?

- The maximum loan amount is the lesser of:
  - 2.5X the average monthly payroll costs during the 1-year period before the date on which the loan is made, or...
  - $10 million
- For new businesses, the measurement period would be from January 1\textsuperscript{st} to February 29\textsuperscript{th}, 2020.

What if I want to refinance my EIDL?

If you took out an Economic Injury Disaster Loan between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.


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What can I use the PPP loan for?


- Payroll costs
- 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
- Payments of interest of any mortgage obligations (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 obligation that were incurred before the covered period
How is the forgiveness amount calculated?

- Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8-week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over $100,000).
  - This includes payroll costs, plus any payment of interest on mortgage obligation (not prepayment or payment of principal), plus any payment of any covered rent obligation, plus any covered utility payment.
  - As we understand it, compensation is forgiven up to $100,000 per employee.
    - For example, if an employee’s salary is $120,000, the amount not forgiven would be $20,000.
How do I get forgiveness on my PPP loan?

• You must apply through your lender for forgiveness on your loan.


• You must include:

  • Documentation verifying the number of employees on payroll and their pay rates, including IRS payroll tax filings and state income, payroll, and unemployment filings.


  • Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.


  • Certification from a representative of your 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 PPP’s guidelines.

What happens after the PPP loan forgiveness period?

• Any loan amount that is not forgiven at the end of one year is carried forward as an ongoing loan with max terms of 10 years, at a max 4% interest – Department of the Treasury Guidance .5% and 2 year amortization.


• Principal and interest will continue to be deferred for a total of 6 months to a year after disbursement of the loan.
Which lenders offer PPP loans?

• **All current SBA 7(a) lenders** are authorized to disburse PPP loans.
• The Department of Treasury will be in charge of authorizing new lenders, including non-bank lenders, to help meet the needs of small business owners. [https://eig.org/wp-content/uploads/2020/03/Paycheck-Protection-Program-Overview.pdf](https://eig.org/wp-content/uploads/2020/03/Paycheck-Protection-Program-Overview.pdf)

• To learn about SBA 7(a) lenders, visit the SBA’s site: [https://www.sba.gov/partners/lenders/7a-loan-program/types-7a-loans](https://www.sba.gov/partners/lenders/7a-loan-program/types-7a-loans)
Debt Relief for Small Businesses

• Under the bill, federal agencies will be required to extend performance periods for small businesses and independent contractors.

• The bill provides $17 billion in funding to provide immediate relief for small businesses with existing loans.

  • The SBA is required to pay the principal, interest and fees on existing SBA loans, providing small businesses with SBA loans some debt relief.

• The SBA must make these payments for a period of 6 months and must start doing so no later than 15 days from the date the Act is signed into law.

How to sustain in the meantime
PRO-TIPS for Tough Times

Cash Flow Forecasting

• 13-week projection of the company’s available cash.
• Operational cost forecasting by week for the quarter — inventory, fixed costs, payroll, etc.

Establishing a Break-even Point

• What is the minimum revenue needed to pay expenses?
• Establishing this point will help you put together a feasible model of your spending cuts and conservation efforts.

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PRO-TIPS for Tough Times

Financial Packaging

• Many government entities are releasing financial aid packages for business owners that apply.
• The process is an in-depth application submission, asset verification process and agreement documentation.

Comparative Financial Statements

• The government requires a side-by-side comparison to financial statements from past and current periods.
• This comparison must show loss of revenue and profits.
Q&A

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