The CARE Act & Applying for SBA Economic Injury Disaster Loan

Presented by:

Richmond Community College Small Business Center Director - Butch Farrah





The U.S. Small Business Administration (SBA) is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).

Upon a request received from a state's or territory's Governor, SBA will issue under its own authority, as provide by the Coronavirus Preparedness and Response Supplement Appropriations Act that was recently signed by the President, an Economic Injury Disaster Loan declaration.





What businesses are eligible to apply?

SBA's Economic Injury Disaster Loans (or working capital loans) are available to small businesses, small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations.

This includes:

- Businesses directly affected by the disaster
- Businesses that offer services directly related to the businesses in the declaration
- Other businesses indirectly related to the industry that are likely to be harmed by losses in their community

(Example: Manufacturer of widgets may be eligible as well as the wholesaler and retailer of the product.)





What is the criteria for a loan approval?

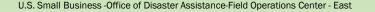
Credit History-Applicants must have a credit history acceptable to SBA.

Repayment –SBA must determine that the applicant business has the ability to repay the SBA loan.

Eligibility- The applicant business must be physically located in a declared county and suffered working capital losses due to the declared disaster, not due to a downturn in the economy or other reasons.



For COVID any business located in the U.S. is eligible.





How much can I borrow?

- Eligible entities may qualify for loans up to \$2 million.
- The interest rates for this disaster are 3.75 percent for small businesses and
 2.75 percent for nonprofit organizations with terms up to 30 years.
- Eligibility for these working capital loans are based on the size (must be a small business, ie. Under 500 employees) and type of business and its financial resources.

How can I use the loan funds?

- These working capital loans may be used to pay fixed debts and payroll,
- Accounts payable, and other bills that cannot be paid due to the disaster
- The loans are not intended to replace lost sales or profits, or for expansion.





What are the collateral requirements?

- Economic Injury Disaster Loans over \$25,000 require collateral.
- SBA takes real estate as collateral when it is available.
- SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available.





What kinds of small businesses can apply?

Examples of eligible industries include but are not limited to the following: hotels, recreational facilities, charter boats, manufacturers, sports vendors, owners of rental property, restaurants, retailers, souvenir shops, travel agencies, and wholesalers.

What other criteria is involved?

The applicant business must have a physical presence in the declared disaster area. In this case, all of the United State qualifies. An applicant's economic presence alone in a declared area does not meet this requirement. The physical presence must be tangible and significant. Merely having a P.O. Box in the disaster area would not qualify as a physical presence.





Applying for an SBA Economic Injury Disaster Loan Private Non-Profit Organizations

Examples of Non-Profit Organizations : Churches, Nursing homes, food kitchens, museums, educational facilities, senior citizen centers, day care centers, playhouses, community centers, shelters, rescue organizations, associations, etc.

An eligible private non-profit organization is a non-governmental agency or entity that currently has:

(1) An effective ruling letter from the U.S. Internal Revenue Service, granting tax exemption under sections 501(c), (d), or(e) of the Internal Revenue Code of 1954, or

(2) Satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit organized or doing business under State law.





EIDL Loans are Different from Other SBA Loans

- SBA's Economic Injury Disaster Loan (EIDLs) funds come directly from the U.S. Treasury.
- Applicants "<u>do not</u>" go through a bank to apply. Instead apply directly to SBA's Disaster Assistance Program at: DisasterLoan.sba.gov
- There is no cost to apply.
- There is no obligation to take the loan if offered.
- The maximum unsecured loan amount is \$25,000.
- Applicants can have an existing SBA Disaster Loan and still qualify for an EIDL for this disaster, but the loans cannot be consolidated.





On March 27, 2020, President Trump signed into law the CARES Act, which provided additional assistance for small business owners and non-profits, including the opportunity to get up to a \$10,000 Advance on an Economic Injury Disaster Loan (EIDL).

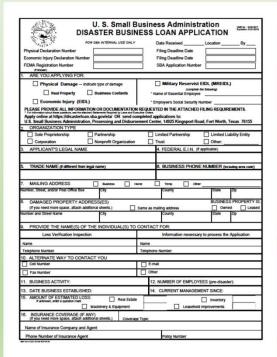
- •To qualify for the Advance on your EIDL, visit <u>www.SBA.gov/Disaster</u> to fill out a new, streamlined application
- •The Advance may be available even if your EIDL application was declined or is still pending, and will be forgiven

To apply for the Advance, you need to submit a new application even if you previously submitted an EIDL application. Applying for the Advance will not impact the status or slow your existing application. <u>APPLY</u>





• Completed SBA loan application (SBA Form 5 or SBA Form 5C for sole proprietorships.)







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- Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates.



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- Schedule of Liabilities (SBA Form 2202).







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U.S. SMALL BUSINESS ADMINISTRATION	As of						
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- Personal Financial Statement (SBA Form 413).
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures.







U.S. Small Business -Office of Disaster Assistance-Field Operations Center - East

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- Schedule of Liabilities (SBA Form 2202).
- Personal Financial Statement (SBA Form 413).
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures.
- Other Information may also be requested.

*Although a paper application and forms are acceptable, filing electronically is easier, faster and more accurate.





How to Apply

- Applicants may apply online using the Electronic Loan Application (ELA) via SBA's secure website at: https://disasterloan.sba.gov/ela.
- Paper loan applications can be downloaded from <u>www.sba.gov/disaster.</u>
 Completed applications should be mailed to: U.S. Small Business Administration,
 Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.
- Disaster loan information and application forms may also be obtained by calling the SBA's Customer Service Center at 800-659-2955 (800-877-8339) for the deaf and hard-of-hearing) or by sending an email to disastercustomerservice@sba.gov.





An SBA loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.

Program Overview

- The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.
- SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.
- The Paycheck Protection Program will be available through June 30, 2020.





An SBA loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.

Who Can Apply

This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by coronavirus/COVID-19.

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

Small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs less than 500 workers. This means each store location could be eligible.





An SBA loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.

How to Apply

You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.

Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program.

Lenders may begin processing loan applications as soon as April 3, 2020.





An SBA loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.

Loan Details and Forgiveness

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

This loan has a maturity of 2 years and an interest rate of .5%. If you wish to begin preparing your application, you can <u>download a sample form</u> to see the information that will be requested from you.





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Applying for an SBA Economic Injury Disaster Loan Vs. Paycheck Protection Program (PPP)











• Half of social security tax (6.2%) is deferred until December 2021. Half will be repaid then and half by December 2022.





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- Emergency grant up to \$10,000. Based solely on credit score. Apply for EIDL and take up to a \$10,000 immediate great. This is a forgivable grant.





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- Emergency grant up to \$10,000. Based solely on credit score. Apply for EIDL and take up to a \$10,000 immediate great. This is a forgivable grant.
- Self-employed people will qualify for unemployment insurance due to the pandemic. This benefit will be for 9 months. Partial unemployment will be allowed for self-employed people who may have lost some of their business.





- Half of social security tax (6.2%) is deferred until December 2021. Half will be repaid then and half by December 2022.
- Emergency grant up to \$10,000. Based solely on credit score. Apply for EIDL and take up to a \$10,000 immediate great. This is a forgivable grant.
- Self-employed people will qualify for unemployment insurance due to the pandemic. This benefit will be for 9 months. Partial unemployment will be allowed for self-employed people who may have lost some of their business.
- You can do the payroll tax deferment and get the PPP loan.





Questions





Applying for an SBA Economic Injury Disaster Loan Richmond Community College Small Business Center Contact information Director - Butch Farrah Email: wofarrah@richmondcc.edu Phone: 910-410-1687 Website: http://richmondcc.edu/small-business-center



