



SBA Relief Programs for Small Business Coping with the COVID-19 Crisis



This webinar is provided as a general information service to Partners and clients of Acrisure, LLC. It should not be construed as, and does not constitute, legal advice on any specific matter. Information on the response to COVID-19 is changing frequently, sometimes daily. If you are watching this webinar as a recording after the original recording date, please visit the SBA and U.S. Treasury websites for the most up to date information and guidance.



In July 2001, Hector Barreto was unanimously confirmed by the U.S. Senate as the 21st administrator of the U.S. Small Business Administration. In this capacity, he oversaw the delivery of financial and business development tools to Americas entrepreneurs.

Barreto has received special recognition for his contributions to Americas small-business community from the U.S. Congress, the California Legislature, the American Heart Association and the American Red Cross. Recognized by Hispanic Business magazine as one of Americas 100 Most Influential Hispanics, Barreto has also been praised by the Latino Coalition for being a role model to Latino youth, and the Hispanic College Fund has commended his leadership in advancing Hispanic businesses.

- 1) Providing insight into two SBA loan programs
- 2) Expanded Economic Injury Disaster Loan
- 3) Paycheck Protection Program
- 4) Employee Retention Credit
- 5) Current developments

- How the Federal Government/SBA is responding to the COVID-19 Crises

Economic Injury Disaster Loan: **Who is Eligible?**

Small businesses that have suffered substantial economic injury, that were in existence on January 31, 2020 and that fall into any of these categories:

- Businesses, cooperatives, ESOPs and tribal small businesses with not more than 500 employees
- Sole proprietors (with or without employees)
- Independent contractors
- Most private nonprofits and small agriculture cooperatives

Businesses can also qualify if they otherwise meet the existing regulatory and statutory SBA size standards. See <https://www.sba.gov/federal-contracting/contracting-guide/size-standards>

Economic Injury Disaster Loan: **What are the parameters?**

Administrator	Small Business Administration (SBA)
Loan Amount	Up to \$2 million
Interest rate	For-Profit: 3.75% Nonprofit: 2.75%
Term	Up to 30 years
Deferral	12 months *interest continues to accrue during deferment
Guarantee	Personal guarantee waived for loans under \$200,000
Collateral	If available, will be taken on loans above \$25,000
Prepayment	Allowed
Allowed uses	Funds can be used as working capital to pay fixed debts, payroll, accounts payable and other bills that could have been paid had the disaster not occurred

Economic Injury Disaster Loan: **What is the \$10,000 grant?**

According to the SBA:

- In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000 which equates to \$1000 per employee.
- This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue.
- Funds will be made available following a successful application.
- This loan advance will not have to be repaid.

Economic Injury Disaster Loan: **How do I apply for the loan and the \$10,000 grant?** **How can I use the grant?**

The EIDL application is online, as is the grant request: <https://covid19relief.sba.gov/#/>

The funds can be used to:

- Provide paid sick leave to employees;
- Maintain payroll;
- Meet increased costs to obtain materials;
- Make rent or mortgage payments; or
- Repay obligations that cannot be met due to revenue losses.

Paycheck Protection Program: **Who is Eligible?**

Small businesses that were in operation on February 15, 2020 with fewer than 500 employees, in addition to:

- Sole proprietors, independent contractors and eligible self-employed individuals
- 501(c)(3) nonprofit organizations
- 501(c)(19) veterans organizations
- Tribal small business concerns

Affiliation rules have been relaxed in certain situations (e.g. hospitality and food service), but otherwise apply.

Businesses can also qualify if they meet the existing regulatory and statutory SBA size standards. See <https://www.sba.gov/federal-contracting/contracting-guide/size-standards>

Paycheck Protection Program: **What are the parameters?**

Administrator	Financial Institutions including Banks, Credit Unions
Loan Amount	Lesser of \$10 million or 2.5 times average monthly payroll costs
Interest rate	1.0%
Term	Up to 2 years
Deferral	6 months *interest continues to accrue during deferment
Guarantee	None
Collateral	None
Prepayment	Allowed
Allowed uses	Payroll costs, benefits (such as health and sick), mortgage interest payments, interest on debts incurred before February 15, 2020, rent, utilities and refinancing of an EIDL loan

Paycheck Protection Program: **How do I apply?**

PPP loans are available through financial institutions, such as banks and credit unions, not directly through the SBA.

Reach out to banks and lending institutions with which you have an existing relationship and let them know you want to apply through this program. Ask for a list of documents they are requiring.

If you anticipate applying, fill out the application and pull together needed financial information as soon as possible while funds are still available.

The application and additional guidance is available from the U.S. Treasury, at

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

Paycheck Protection Program: **How do I get my loan forgiven?**

According to the SBA Guidance:

- The borrower will not be responsible for any loan payment (or accrued interest) if the borrower uses all the loan proceeds for forgivable purposes and employee and compensation levels are maintained.
- The actual amount of loan forgiveness will depend, in part, on the total amount of:
 - Payroll costs
 - If incurred and/or dated before February 15, 2020:
 - mortgage interest obligations
 - rent payments on leases
 - utility payments under service agreements
 - If incurred over the 8-week period following the loan date
- Forgiveness of non-payroll allowable expenses is limited to 25% of total forgiveness.
- Borrowers must document use of loan proceeds to apply for forgiveness.

Employee Retention Credit

- Employers fully or partially shutdown or with 50% drop in gross receipts in a quarter compared to prior year (until return to 80%)
- Shutdown must apply to all aspects of nonprofit organization
- Refundable tax credit for 50% of the wages (including employers health plan expenses) paid by the employer up to \$10,000 per employee
- Employers with more than 100 employees applies to employees not providing services
- Employers with 100 or less employees applies to all employees paid during the eligible period
- Employers are not eligible if they receive a Paycheck Protection Program loan
- Allows for advance payment of the credit

Employee Retention Credit

Questions and Answers

If you have additional questions,
please email us at CaresAct@Acrisure.com

Additional Resources

- **U.S. Small Business Administration – Coronavirus Relief**
 - <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>
- **U.S. Department of the Treasury – CARES Act Overview**
 - <https://home.treasury.gov/policy-issues/cares>
- **U.S. Senate Committee on Small Business & Entrepreneurship**
 - <https://www.sbc.senate.gov/public/index.cfm/guide-to-the-cares-act>
- **U.S. Chamber of Commerce – Coronavirus Resources**
 - <https://www.uschamber.com/coronavirus>