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SBA Loan Grants & Unemployment Changes
Overview Due to COVID-19

Moving Parts

- Unemployment
 - EIDL/Grants
- Paycheck Protection Program
 - Ways to save cash now

Unemployment

- Get applications in ASAP
- Fed will add \$600/w to state UE

Hearing 4 week backlogs on state portion

- NY has not starting releasing Fed \$600/week
1099 can get \$600/week/Fed (state portion?)
Lower wage earners get a raise April1-July 31st

Colorado Example

Estimated based on current calculations
Effective April 1st – July 31st (4 months)

Name	12 Mnth	UE CO	UE Fed	Total	Raise/m
Person 4	\$ 60,000	\$ 577	600	\$ 61,200	\$ 100
Person 3	\$ 45,000	\$ 433	600	\$ 53,700	\$ 725
Person 2	\$ 30,000	\$ 288	600	\$ 46,200	\$ 1,350
Person 1	\$ 25,000	\$ 240	600	\$ 43,700	\$ 1,558

EIDL

Who is eligible?

Tribal businesses, cooperatives, and ESOPs with fewer than 500 employees or any individual operating as a sole proprietor or an independent contractor during the covered period (January 31, 2020 to December 31, 2020). Private non-profits are also eligible for both grants and EIDLs

EIDL

- For any SBA EIDL loans made in response to COVID-19 before December 31, 2020,
 - All personal guarantees will be waived on loan and advances below \$200,000
 - The requirement is being waved that you had to be in business 1 year before the disaster
 - Credit elsewhere requirements are being waved.
- During the covered period, allows SBA to approve and offer EIDL loans based solely on an applicant's credit score, or use an alternative appropriate alternative method for determining applicant's ability to repay.
- Establishes an Emergency Grant to allow an eligible entity who has applied for an EIDL loan due to COVID-19 to request an advance on that loan, of not more than \$10,000, which the SBA must distribute within 3 days.

EIDL Grant

- Establishes an Emergency Grant to allow an eligible entity who has applied for an EIDL loan due to COVID-19 to request an advance on that loan, of not more than \$10,000, which the SBA must distribute within 3 days
- Establishes that applicants shall not be required to repay advance payments, even if subsequently denied for an EIDL loan.
- In advance of disbursing the advance payment, the SBA must verify that the entity is an eligible applicant for an EIDL loan. This approval shall take the form of a certification under penalty of perjury by the applicant that they are eligible.
- Outlines that advance payment may be used for providing paid sick leave to employees, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses.
- \$1,000 per full time employee up to \$10,000
- We are assuming that the government will be processing the EIDL loans / Grants – but new systems will have to be built quickly – beside the \$10k Grant which is live now.

Paycheck Protection Program (PPP)

- If your business or Non-Profit has fewer than 500 employees, you are eligible for this program. There are a few instances where bigger companies will be eligible.
- Sole-proprietors, independent contractors, and other self-employed individuals are eligible.
- Some businesses with more than 500 employees per location will be eligible.
- Lenders have to determine if the business was operational on February 15, 2020 and had employees for whom it paid salaries and payroll taxes, or a paid independent contractor. There is no prior cash flow assessment.
- Borrowers must make a good faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19;
- You cannot receive duplicative funds for the same uses from another SBA program.
- EIDL \$10k will be considered an advance on the forgiven amount in the PPP if you do the PPP as well.

Paycheck Protection Program (PPP)

- The covered loan period will be your anticipated expenses beginning on February 15, 2020 and ending on June 30, 2020.
- Loan amounts will increase to up to \$10 million through December 31, 2020 – based on payroll size.
- Specifies allowable uses of the loan include payroll support, such as employee salaries, paid sick or medical leave, insurance premiums, and mortgage, rent, and utility payments
- Must maintain 75% of payroll as compared to previous period to get full forgiveness amount – otherwise it will be prorated

Paycheck Protection Program (PPP)

Maximum Loan Amounts

- Maximum Loan Amounts Are The Lesser of
 - \$10,000,000 or
 - Average Total Monthly Payments of Payroll in 2019 (with some exceptions for seasonal businesses)
 - Health Care Benefits
 - Employee Salaries / Commissions
 - Interest Payments on Mortgage Obligations
 - Rent
 - Utilities
 - Interest on any other debt before the covered period
 - NOTE: You can borrow 2.5 times monthly payroll (what can potentially be fore given is 2 months payroll plus rent, utilities & mortgage interest).

Paycheck Protection Program (PPP)

- **Payroll Costs Include**
 - Salary, Wages, Commission
 - Cash Tips
 - Vacation, Paternal, Family, Medical or Sick Leave
 - Allowance for Dismissal or Separation
 - Health Care Premiums
 - Pre-Retirement Benefits
 - State and Local Taxes related to employment
- **Independent Contractors / Sole Proprietor**
 - Whose income does not exceed \$100,000 pro-rated for one year
- **Exclusions**
 - Any individual whose salary exceeds \$100,000 during the covered period
 - Compensation for any employee outside of the United States

Paycheck Protection Program (PPP)

- Provides an authorization level of \$349 billion for the 7(a) program through December 31, 2020.
- Loans are guaranteed 100% by the US Government
- These are term loans
- There will be no borrower fees for participating in this program.
- There is no credit elsewhere tests for funds provided under this program.
- There are no collateral and personal guarantee requirements under the program.
- Any loan amount that is not forgiven after June 30th, will amortize over 2 years.
- Max interest rate is 4% (also hearing 1% now)
- There will be no pre-payment penalties.
- These loan are non-recourse unless found to be used for unauthorized purposes
- Loan payments will be deferred between six month

Paycheck Protection Program (PPP)

Eligible for Loan Forgiveness

- The amount spent by the borrower during an 8-week period after the origination date of the loan on payroll costs
- Interest payment on any mortgage incurred prior to February 15, 2020
- Payment of rent on any lease in force prior to February 15, 2020
- Payment on any utility for which service began before February 15, 2020.
- Amount forgiven cannot exceed the total loan amount.
- Eligible payroll costs do not include above \$100,000 in wages.
- Your wage expense will be compared to the prior year – to ensure that you have maintained employees.
- The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation. **(talk to lender)**

Paycheck Protection Program (PPP)

Eligible for Loan Forgiveness

- To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.
- Allows forgiveness for additional wages paid to tipped workers.
- Borrowers will verify through documentation to lenders their payments during the period.
- Canceled indebtedness resulting from this section will not be included in the borrower's taxable income.
- Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with terms of a max of 10 years, at max 4% interest. **(latest was 2 years at 1%)**

Ways to save cash now!

- **If time is important** – apply for EIDL if you qualify now to get up to \$10k quickly
- **Get with an SBA lender ASAP** to discuss your situation and loan/grant details as they pertain to your business
- **All SBA loans** – all payments are being paid by the fed for the next 6 months (forgiven)
- **Vendors** - Call all your vendors to see if they will delay payments or provide free services for a month or so
- **Lenders** – many lenders including mortgages, auto, credit cards, lines of credit will work with you. We are all in this together including the banks.
Landlords – Many will work with you especially in the next couple months as money is being dispersed within these program. Defer rent is possible – some landlords in some states are giving free rent – federally backed loans have some forgiveness in the bill.

Short Term Online Loans



BEWARE DANGER OF
SHORT-TERM LOANS



ONLINE SCAMS

Questions

Please type your questions into the chat window – thanks!