Information about SBA Disaster Assistance, Lines of Credit, and Related

SBA Disaster Assistance in Response to the Coronavirus

Paycheck Protection Program (PPP)

A new program was created by the Coronavirus Aid, Relief, and Economic Security Act'' or the ''CARES Act" to provide small businesses with loans to cover payroll costs. This is a loan program that can turn into grants, unlike the EIDL described in the next section.

The information about the PPLP is updated frequently. We have attached information current as of 4/1/2020. This includes a PPP Overview, PPP Fact Sheet for Borrowers, and a PPP Application. If there are significant changes to this program, we will notify members via email. You may also find information at www.SBA.gov/Coronavirus.

Economic Injury Disaster Loans

• The U.S. Small Business Administration 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 provided by the Coronavirus Preparedness and Response Supplemental Appropriations Act that was recently signed by the President, an Economic Injury Disaster Loan declaration. (**Emergency Small Business Loans** (emergency SBA 7(a) loans)

• Any such Economic Injury Disaster Loan assistance declaration issued by the SBA makes loans available to small businesses and private, non-profit organizations in designated areas of a state or territory to help alleviate economic injury caused by the Coronavirus (COVID-19).

• SBA's Office of Disaster Assistance will coordinate with the state's or territory's Governor to submit the request for Economic Injury Disaster Loan assistance.

• Once a declaration is made for designated areas within a state, the information on the application process for Economic Injury Disaster Loan assistance will be made available to all affected communities as well as updated on our website: SBA.gov/disaster.

• SBA's Economic Injury Disaster Loans offer up to $2 million in assistance per small business and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.

• These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses without credit available elsewhere; businesses with credit available elsewhere are not eligible. The interest rate for non-profits is 2.75%.

• SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

• SBA's Economic Injury Disaster Loans are just one piece of the expanded focus of the federal government's coordinated response, and the SBA is strongly committed to providing the most effective and customer-focused response possible.

• For additional information, please contact the SBA disaster assistance customer service center. Call 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov.

• Visit SBA.gov/disaster, select Economic Injury Disaster Loans option. View the section marked download business forms. Select the first option which is business loan application form 5.

What to include with the application:-

1. The most recent tax return or an IRS tax exempt determination letter
2. 3 years of your most recent income statements
3. 3 years of your most recent balance sheets
4. Completed form 4506-T which is a request for transcripts of your tax returns

The office of small business administration (SBA) will review applications and respond as quickly as possible beginning 03/26/2020.

Provisions: SBA Provides funding for special emergency loans of up to $10 million for eligible nonprofits and small businesses, permitting them to cover costs of payroll, operations, and debt service, and provides that the loans be forgiven in whole or in part under certain circumstances.

General Eligibility: Available to entities that existed on March 1, 2020, and had paid employees.

Nonprofit Eligibility: Available for charitable nonprofits with 500 or fewer employees (counting each individual – full time or part time and not FTEs). The final bill does not include a provision in earlier drafts that would have disqualified nonprofits that are eligible for payments under Title XIX of the Social Security Act (Medicaid).

Loan Use: Loan funds could be used to make payroll and associated costs, including health insurance premiums, facilities costs, and debt service.

Loan Forgiveness: Employers that maintain employment between March 1 and June 30, 2020, would be eligible to have their loans forgiven, essentially turning the loan into a grant.

Economic Injury Disaster Loans (EIDL) eliminate creditworthiness requirements and appropriates an additional $10 billion to the EIDL program so that eligible nonprofits and other applicants can get checks for $10,000 within three days.

LINE OF CREDIT

A line of credit gives you access to money "on demand." It's typically offered by lenders such as banks or credit unions, and, if you qualify, you can draw on it up to a maximum amount for a set period of time. You'll only pay interest when you borrow on the line of credit. Once you pay back borrowed funds, that amount is again available for you to borrow. Flexibility is the key here: you can choose when to take out the money, pay it back and repeat, as long as you stick to the terms, including paying off what you borrow on time and in full.

There are secured and unsecured lines of credit. A secured line of credit is a line in which the borrower puts up collateral as a security deposit on the line of credit. Putting up property as a form of collateral is common, but this could also be other items owned by the business, such as equipment or inventory.

Secured lines may be preferred over unsecured lines by both lenders and borrowers. The lender is taking on less risk, so they will usually grant a higher credit maximum at a lower rate for secured lines. New businesses or businesses with poor business credit might only qualify for a secured line of credit because of the inherently higher risk.

In contrast to a secured line, an unsecured business line of credit does not require collateral assets. Unsecured lines of credit are more expensive because the lender assumes higher risk. Credit cards are a type of unsecured line of credit. Businesses with many years under their belts and stellar business credit reports are more likely to qualify for unsecured business credit lines at reasonable rates.

Like a small business loan, an unsecured line of credit provides a business with access to money that can be used to address any business expense that arises. Unlike a small business loan, however, there's no lump-sum disbursement made at account opening that requires a subsequent monthly payment.

A small business line of credit is typically offered as unsecured debt, which means you don't need to put up collateral (assets that the lender can sell if you default on the debt). Many unsecured lines of credit come with a variable interest rate.

Rates for a business line of credit tend to be lower than those for a business credit card, which can charge higher interest rates for purchases — and even more than that for cash advances.

OTHER RELATED TOPICS

Unemployment: Many states are taking steps to protect businesses and nonprofits that pay SUTA from taking a financial hit from Coronavirus-related layoffs by enacting laws that prevent UI claims related to COVID-19 from affecting their experience ratings. However, these laws do not hold harmless nonprofits that self-insure for UI benefits, since freezing state unemployment tax rates does nothing to relieve these organizations of the need to reimburse their states for the full amount of the UI benefits that their employees receive when they are out of work due to COVID-19. To prevent further economic harm to these already struggling, state legislators (or Governors taking executive action on UI) must temporarily waive requirements that self-insured nonprofits repay state UI trust funds for claims arising for Coronavirus-related reasons

Employee Retention Payroll Tax Credit: Creates a refundable payroll tax credit of up to $5,000 for each employee on the payroll when certain conditions are met. The entity had to be an ongoing concern at the beginning of 2020 and had seen a drop in revenue of at least 50 percent in the first quarter compared to the first quarter of 2019. The availability of the credit would continue each quarter until the organization's revenue exceeds 80 percent of the same quarter in 2019. For tax-exempt organizations, the entity's whole operations must be taken into account when determining the decline in revenues. Notably, employers receiving emergency SBA 7(a) loans would not be eligible for these credits.