

**Coronavirus (COVID-19):
Small Business Guidance & Loan Resources**



U.S. Small Business
Administration

Paycheck Protection Program

Status

- \$659B total appropriation
- 4.9 m loans for \$517B (Average loan size ~ \$105K)
- 86.6% of loans < \$150K
- \$132B in funding available
- \$10B set aside for CDFI's
- Illinois (as of 7/10)
 - 203,147 loans
 - \$22.3B
 - 2.2M jobs reported

Paycheck Protection Program

Overview

- Eligible recipients may qualify for a loan up to \$10 million determined by average monthly prior year payroll.
 - SBA 100% guaranteed loan – 2-year term at 1% interest
 - New loans have minimum term of 5 years
 - Loan amount determined by average monthly payroll costs * 2.5
 - See “[How to calculate loan amounts](#)” for guidance
- Up to 100% forgivable if at least 60%* of proceeds are used for payroll.
 - Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.
 - Period of forgiveness is 24-weeks* upon initial disbursement
- Any small business or 501(c)(3)/501(c)(19) non-profits with fewer than 500 employees
 - Small business includes sole proprietorships, independent contractors and self-employed persons
 - In business with employees/1099 contractors as of 2/15/20

Paycheck Protection Program

Updates from PPPFA

- Terms on new (6/5 or later) loans extended to five years
 - Does not preclude negotiating extended terms with your lender for loans made prior to 6/5
- Covered period extended to 24 weeks
 - Loans made prior to 6/5 can elect eight week or 24-week period
- Ratio of payroll to other eligible costs changed to 60/40
 - Moves from 75/25
- Exemptions on FTE reduction where:
 - Business could not operate at capacity due to following CDC guidelines
 - Could not rehire employees as of 2/15 or similarly qualified individuals

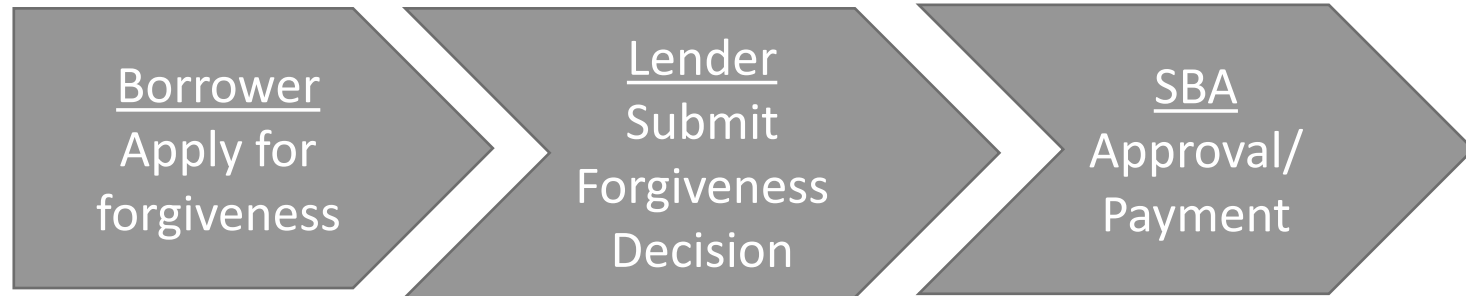
Paycheck Protection Program

Additional updates from PPPFA

- Extends deferral period
 - To the date that the SBA pays the amount of forgiveness to the lender
 - Borrower has 10 months from the end of the covered period to request forgiveness
- Covered period extended to 12/31/20
 - Can request forgiveness at any time
- Partial forgiveness is available
 - \$100K loan, use \$54K for payroll costs
 - \$36K other eligible expenses for forgiveness
 - Total forgiveness = \$90K – Other \$10K terms for 2 or 5 years
- Application deadline extended to Aug. 8

PPP Forgiveness Process

Overview



- Borrower completes and submits loan forgiveness application to lender
- Lender has up to 60 days to submit forgiveness decision to SBA
- SBA has up to 90 days to remit forgiveness amount to the lender
- Any amount of loan not forgiven must be repaid before the 2-year maturity date*

*New loans made after enactment of PPP Flexibility Act have a 5-year term.

PPP Forgiveness Process

Expense eligibility for forgiveness

- Eligible payroll costs
 - Compensation to employees (whose principal place of residence is the United States) - salary, wages, commissions, or similar compensation;
 - Cash tips or the equivalent
 - Payment for vacation, parental, family, medical, or sick leave;
 - Allowance for separation or dismissal;
 - Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
 - Payment of state and local taxes assessed on compensation of employees;
- Eligible non-payroll costs
 - Mortgage interest
 - Rent
 - Utilities
 - Interest on loans
- Not eligible for forgiveness – 1099 independent contractors

PPP Forgiveness Process

Documentation

- Two Paths
 - SBA Form 3508 (or lender equivalent)
 - SBA Form 3508EZ (or lender equivalent)
- 3508EZ Use cases
 1. Self-employed individual, independent contractor, or sole proprietor
 - Must have had no employees at the time of the PPP loan application
 - Must not have included any employee salaries in the computation of average monthly payroll in the Borrower Application
 2. Borrowers that:
 - **Did not** reduce annual salary/hourly wages by > 25% during the covered period/alternate covered period vs. Jan. 1, 2020-Mar. 31/ 2020
 - **Did not** reduce # of employees or avg. paid hours between Jan. 1, 2020 and end of covered period
 3. Borrowers that:
 - **Did not** reduce annual salary/hourly wages by > 25% during the covered period/alternate covered period vs. Jan. 1, 2020-Mar. 31/ 2020
 - Were not able to operate during the covered period at the same level as before February 15, 2020 due to federal compliance/rules

PPP Forgiveness Process

Documentation

- Payroll
 - Docs verifying the eligible cash comp and non-cash benefits payments
 - Each of the following for the covered period (or alternate covered period):
 - Bank account statements or 3rd party payroll service reports
 - Tax forms (or equivalent 3rd party payroll service provider reports) for periods that overlap the covered periods
 - Payroll tax filings (typically the IRS Form 941)
 - State quarterly business & individual employee wage and unemployment insurance filings
 - Payment receipts, canceled checks, or account statements for health and retirement contributions
- FTE
 - Documentation demonstrating the average number of FTE on payroll during the elected baseline period.
 - Tax forms (or equivalent 3rd party payroll service provider reports) for periods that overlap the covered periods
 - Payroll tax filings (typically the IRS Form 941)
 - State quarterly business & individual employee wage and unemployment insurance filings

PPP Forgiveness Process

Documentation

- Nonpayroll
 - Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period.
 - Business mortgage interest payments
 - Business rent or lease payments
 - Business utility payments:
- Additional record requirements
 - All documents must be retained for a period of six years after loan forgiveness.
 - Forgiveness application
 - Documentation for job offers and refusals, firings for cause, voluntary resignations, and written requests for work schedule reductions

PPP Forgiveness Process

Forgiveness Reduction

- Salary/hourly wage reduction
 - More than 25% reduction in salary/hourly wage
 - May result in forgiveness reduction
 - Safe harbor exists = return salary/hourly wage at/greater than Feb. 15, 2020 levels by the earlier of application submission or December 31, 2020
- Headcount reduction
 - Lessen forgiveness due to reduction in headcount
 - Safe harbors/exemptions available including:
 - Inability to operate at normal levels due to HHS/CDC
 - Restore to Feb 15, 2020 FTE levels NLT Dec. 31, 2020
- Partial forgiveness due to use of proceeds
 - Use less than 60% of proceeds on eligible payroll expenses
 - Max forgiveness amount = payroll costs/0.6
 - Up to the total loan amount

Economic Injury Disaster Loan Program/EIDL Advance

Overview

- EIDL - Working Capital Loan Program
 - Eligible entities may qualify for loans up to \$2 million.
 - Interest rates @ 3.75 % for small businesses/2.75 % for private nonprofit
- EIDL Advance - Rapid economic relief
 - Advance on EIDL of up to \$10K based on # of employees
 - Forgivable loan/grant disbursed within days of complete application
 - Funding has been fully allocated, so requests are no longer being accepted or processed.
- Eligibility
 - Small business with ≤ 500 employees
 - Most private non-profits (including religious organizations)
 - Business must have experienced “substantial” impact due to COVID-19
 - Working capital losses due to the declared disaster
 - In business as of 1/31/2020

Disaster loans related to civil unrest

Overview

- Businesses, homeowners, and renters affected by civil unrest on May 26 through June 8, 2020 can apply for low-interest SBA disaster loans.
 - Cook County and the adjacent counties of DuPage, Kane, Lake, McHenry, and Will in **Illinois** and Lake in **Indiana**.
- Contact the SBA Customer Service Representatives at **(571) 422-6016** and **(470) 363-6079** for one-on-one assistance in completing an application. These services are not for COVID-19 related assistance.
- Deadlines:
 - Physical property damage: **Aug. 24, 2020**.
 - Economic injury applications: **March 23, 2021**.
- Apply online at <https://disasterloanassistance.sba.gov/>

Questions?

More information concerning SBA and its programs:

[sba.gov/paycheckprotection](https://www.sba.gov/paycheckprotection)

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>

Illinois.DO@sba.gov

www.sba.gov/il

EIDL and EIDL Advance Questions
SBA Disaster Customer Service Center
(800) 659-2955 | disastercustomerservice@sba.gov