

# Federal Resources for Orange County's Small Businesses

Federal Coronavirus Relief Overview

April 2, 2020

Hosted by the **Orange County Industrial Development Agency**



# Introduction

**Remarks:** Laurie Villasuso, Chief Executive Officer

**Introduction:** Chris Fish, Vice President; Jake Parduhn, Director of Federal Affairs; and Casey Newell, Research Analyst, from McAllister & Quinn

## **Agenda:**

- Overview of COVID-19 economic stimulus package (CARES Act)
- Small Business Administration (SBA) 7(a) Paycheck Protection Program loans
- Economic Injury Disaster Loan (EIDL) program and grants
- Other federal resources for small businesses
- Business and labor provisions in the CARES Act
- Questions and follow-up

# Federal Economic Stimulus Package

On March 27, Congress passed, and the President signed, a **\$2 trillion** economic stimulus package (the **CARES Act**) to address the unprecedented health and economic crisis related to COVID-19.

The CARES Act includes over **\$350 billion** in SBA loan guarantees, subsidies, and other resources- including labor provisions- for small businesses.

We expect the development of an additional economic stimulus package in the coming weeks. Additional resources are likely, but currently unknown.

# SBA 7(a) Paycheck Protection Program Loans

**Program Objective:** To provide small businesses with the capital to retain employees and reduce or prevent layoffs.

**Overview:** This program provides loans of up to \$10 million to qualified small businesses and non-profits. PPP loans are intended to be forgivable, granted that borrowers maintain their workforces and comply with programmatic requirements. Congress has appropriated \$349 billion for this program.

**Timing:** This program will obligate 10x the amount that the SBA usually underwrites with funding and processes in place to handle a higher volume of applications and at a faster pace. Loan applications will begin processing next week at the very earliest.

**Disclaimer:** Exact terms of loans will be determined solely by lenders.

# Paycheck Protection Program (Cont.)

## SBA 7(a) Paycheck Protection Program: Details

<b>Lenders</b>	A qualified financial institution. SBA underwrites the loan.
<b>Potential Loan Amount</b>	<p>Loans range up to \$10 million. Calculated by:</p> <p><u>Businesses open between 2/15/19 and 6/30/19</u>: Max loan is equal to 250% of average monthly payroll costs during that period (ex., if average monthly payroll equals \$100,000: <math>100,000 \times 2.5 = \\$250,000</math> loan)</p> <p><u>Businesses not open between 2/15/19 and 6/30/19</u>: Max loan is equal to 250% of your average monthly payroll costs between 1/1/20 and 2/29/20.</p> <p><i>*payroll costs are capped at \$100,000 on an annualized basis for each employee.</i></p>
<b>Allowable Uses</b>	Payroll costs; healthcare benefits; insurance premiums; utility payments; and interest (not including principal) on mortgages, rent, and other debt obligations incurred before 2/15/20.
<b>Term and Rate</b>	Two years, 0.5% fixed rate.
<b>Collateral or Personal Guarantee</b>	Neither are required.
<b>Eligibility</b>	Small business (of 500 employees or less); non-profits; 501(C)(3)s; 501(C)(19)s; independent contractors; veteran's organizations; and certain businesses (hospitality or service industries) with over 500 employees but less than 500 employees per physical location.

# Paycheck Protection Program (Cont.)

## SBA 7(a) Paycheck Protection Program: Details (Continued)

<b>Deferment</b>	Loan payments will be deferred for six months (interest will accrue during deferment).
<b>Loan Forgiveness</b>	<p>Loans are forgiven, with the total forgiveness calculated as the amount spent by borrowers during an eight-week period after the loan's origination date on: payroll costs; interest payments on any mortgage incurred prior to 2/15/20; payment of rent on any lease in force prior to 2/15/20; and payment on any utility or service which began before 2/15/20. Payroll costs are capped at \$100,000 on an annualized basis for each employee.</p> <p>The amount forgiven will be reduced proportionally by any reduction in full-time employees and compensation (&gt;25%) compared to the prior year. Reductions in the number of employees or compensation occurring between 2/15/20 and 30 days after enactment of the CARES Act will generally be ignored to the extent that reductions are reversed by June 30, 2020.</p>
<b>Unforgiven Amount</b>	Unforgiven amounts are carried forward as an ongoing loan with a max term of two years, and at a fixed interest rate of 0.5%.
<b>Limit to PPP Loans</b>	Entities are limited to one PPP loan; each loan will be tracked under a Taxpayer Identification Number at SBA.
<b>Other SBA Loans</b>	It is possible to receive multiple loans, but entities can not use different types of loans for similar purposes (i.e., using two different loans both to cover payroll expenses).

# Applying for a 7(a) PPP Loan

**How long are these loans available?** Through June 30, 2020.

**When can I apply?** Small businesses and sole proprietorships can apply starting April 3; self-employed and independent contractors can apply starting April 10.

**Where can I apply?** The application form can be accessed via [this link](#). Applications are submitted to and processed by local SBA-qualified lenders.

**How long will the application process take?** Currently unknown, anticipate a more streamlined process in coming weeks.

**What should I do next?** Review the above application form and identify ideal SBA-qualified lenders in your area (your existing lender may qualify). Begin a conversation about the program and prepare the necessary financial information to apply.

# SBA Economic Injury Disaster Loan Program

**Program Objective:** To provide small businesses with a quick infusion of cash to cover immediate expenses.

**Overview:** This program provides loans of up to \$2 million to qualified small businesses and non-profits experiencing COVID-related economic distress. Each loan application (regardless of the SBA's final decision) also provides applicants with a \$10,000 grant that does not need to be repaid within three days of the application date. Congress has appropriated \$10 billion to this program.

**Timing:** Small businesses can apply for EIDLs right now.

**Disclaimer:** Program details are subject to change. Exact terms of loans are determined solely by the SBA.



# EIDL Program (Cont.)

## SBA Economic Injury Disaster Loans: Details

<b>Lenders</b>	The Small Business Administration.
<b>Potential Loan Amount</b>	Maximum loan size is \$2 million. Applicants who apply for this loan may request an advance of up to \$10,000 from the SBA; this will be distributed within three days. The advance does not need to be repaid under any circumstance.
<b>Allowable Uses</b>	Most financial obligations and operating expenses that could have been met had the disaster (COVID-19) not occurred.
<b>Term and Rate</b>	Up to thirty years, 3.75% annual rate for businesses, 2.75% annual rate for non-profits.
<b>Collateral or Personal Guarantee</b>	For loans greater than \$200,000, owners of more than 20% of businesses and/or managing members of LLCs need to provide a personal guarantee. However, no liens will be taken against real estate owned by guarantors; the SBA will place liens against the assets of businesses as collateral.
<b>Eligibility</b>	Small businesses and private non-profits with 500 or fewer employees, including sole proprietorships; independent contractors; cooperatives and employee owned businesses; and tribal small businesses. Must have been in operation since January 31, 2020.

# EIDL Program (Cont.)

## SBA Economic Injury Disaster Loans: Details (Continued)

<b>Deferment</b>	One year after the loan origination date (interest will accrue during deferment).
<b>Loan Forgiveness</b>	There is no loan forgiveness option/program for EIDLs.
<b>Can I apply for an EIDL <u>AND</u> a PPP loan?</b>	Yes - whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL between January 31, 2020 and June 30, 2020, you may also apply for a PPP loan. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the EIDL Grant Program would be subtracted from the amount forgiven in the PPP. However, you cannot use your EIDL for the same purpose as your PPP loan (ex. cannot pay for payroll costs with two different SBA loans).

# Applying for an EIDL Loan

**How long are these loans available?** Through December 31, 2020.

**When can I apply?** Right now.

**Where can I apply?** The application form can be accessed via [this link](#).

**How long will the application process take?** Currently, processing times for these loans ranges from two to three weeks. The \$10,000 grants are processed within three days of applying.

**What should I do next?** Review the EIDL application and requirements; begin preparing to apply.

# Recap and Differences: PPP and EIDL

## Key Takeaways:

- The SBA has two loan programs that they will use for small business loan relief:
  - PPP is geared primarily towards equipping small businesses with funding to keep workers employed. This is a new iteration of the 7(a) Loan Program and is administered directly through lenders.
  - EIDL is geared primarily towards providing quick funding infusions to small businesses for operating costs with broader usage allowances. EIDL applications are currently live and are being administered directly by the SBA.
- Businesses can apply for and receive both an EIDL and PPP loan, but cannot use both to pay for the same items (i.e., no double-dipping).
- If your small business requires very urgent assistance, EIDL might be more appropriate (with its live application process, \$2 million level, broader allowable usage, and \$10,000 advance).

# Other Federal Small Business Resources

**Subsidizing Existing SBA Loans:** The CARES Act includes \$17 billion to cover six months of payments for small businesses with existing SBA loans.

**Small Business Development Center Education, Training, and Technical Assistance Grants:** \$265 million is included for Small Business Development Centers to provide education, training, and technical assistance to small business concerns, related to issues stemming from COVID-19. Funding is not provided directly to the businesses themselves.

**Funding for NIST Manufacturing Extension Partnerships:** \$50 million is included for the Hollings Manufacturing Extension Partnership to assist manufacturers. Funding is not provided directly to businesses. NYSTAR is New York's MEP.

# General Business and Labor Provisions

## General Business and Labor Provisions

<p><b>Delay of Payment of Employer Payroll Taxes</b></p>	<p>The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. Employers generally are responsible for paying a 6.2% Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.</p>
<p><b>Employee Retention Credits for Employers</b></p>	<p>Provides a refundable payroll tax credit for 50 % of wages paid by eligible employers to certain employees during the COVID-19 crisis. The credit is available to employers, including non-profits, whose operations have been fully or partially suspended. The credit is also provided to employers who have experienced a greater than 50 percent reduction in quarterly receipts, measured on a year-over-year basis. Wages of employees who are furloughed or face reduced hours as a result of their employers' closure or economic hardship are eligible for the credit. For employers with 100 or fewer full-time employees, all employee wages are eligible, regardless of whether an employee is furloughed. The credit is provided for wages and compensation, including health benefits, and is provided for the first \$10,000 in wages and compensation paid by the employer to an eligible employee. The credit is not available to employers receiving Small Business Interruption Loans. The credit is provided through December 31, 2020.</p>

# Federal Resources for Orange County

## SBA New York District Office

26 Federal Plaza, Suite 3100, New York  
(212) 264-4354

## SBA Mid-Hudson Small Business Development Center

94 Marys Avenue, Kingston  
(845) 802-9150

## NIST Manufacturing Extension Partnership Office

625 Broadway, Albany  
(Empire State Development, Division of Science, Technology & Innovation (NYSTAR))  
(518) 292-5100

# Questions and Follow-up

These slides and a recording of this presentation **will be posted on the IDA's website.**

For questions and more information, please contact **Sarah Wilson** at **[swilson@the-accelerator.com](mailto:swilson@the-accelerator.com)**.

Please feel free to type any questions that you might have in the **webinar chat box**, so that the IDA and M&Q teams can answer.