

Coronavirus (COVID-19) Emergency Loans

Small Business Guide to Emergency Loans and the
Paycheck Protection Program

Information found in this resource was cited from:

The U.S. Chamber of Commerce's Coronavirus Emergency Loans - Small Business Guide and Checklist at

<https://www.uschamber.com/report/coronavirus-emergency-loans-guide-and-checklist-small-businesses>

and U.S. Small Business Administration (SBA) Disaster Loans website at <https://www.sba.gov/page/disaster-loan-applications>



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Coronavirus Aid, Relief, & Economic Security (CARES) Act

- Allocated \$350 billion to help small businesses keep workers employed
- Small businesses owners are now eligible to apply for an **Economic Injury Disaster Loan (EIDL)**.
- The **Paycheck Protection Program (PPP)** provides 100% federally guaranteed loans to small businesses (coming soon).
- PPP loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

Emergency Injury Disaster Loans

- The EIDL program provides small businesses with working capital loans of up to \$2 million to overcome the temporary loss of revenue.
- The proceeds may be used to provide paid sick leave, maintain payroll, meet increased costs to obtain materials, make rent or mortgage payments, and repay other obligations that cannot be met due to revenue loss.
- Business owners may request an initial advance up to \$10,000.
- Funds will be made available within three days of a successful application.
- The loan advance will not have to be repaid.
- To qualify for a disaster loan, the applicant must be located in a declared disaster area (listed at <https://disasterloan.sba.gov/ela/Declarations/Index>) and have suffered substantial economic injury as a result of the disaster (meaning the applicant is unable to meet its obligations and to pay its ordinary and necessary operating expenses).
- To apply for a disaster loan, click here <https://covid19relief.sba.gov/#/>

Paycheck Protection Program (PPP)

Who is eligible:

- Small business with fewer than 500 employees
 - A small business that otherwise meets the Small Business Association (SBA) size standards
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor or an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standards
- A 501(c)(19) Veterans Organization that meets the SBA size standards
- Some special rules may make you eligible...
 - If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis.
 - If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply.
 - The 500-employees threshold includes all employees: full-time, part-time, and any other status.

PPP: What will Lenders be Looking For?

YES:

- The borrower was operating before 2/15/20 and had employees for whom they paid salaries and payroll taxes or paid independent contractors.
- Lenders will ask you for a good faith certification that:
 - The current economic conditions make the loan request necessary
 - The proceeds will be used to retain workers and maintain payroll or make mortgage, lease, and utility payments
 - Borrower does not has not received a loan nor has an application pending for a loan duplicative of the purpose and the amounts applied here

NO:

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required.
- No collateral is required.

PPP: How Much Can I Borrow?

Loans can be up to 2.5x the borrower's average monthly payroll costs, not to exceed \$10 million.

How Do I Calculate my Average Monthly Payroll Costs?

Sum of Included Payroll Costs

Minus (-)

Sum of Excluded Payroll Costs

Equals (=)

Payroll Costs

PPP: Included Payroll Costs

- For Employers, the sum of payments of any compensation with respect to employees that is a:
 - Salary, wage, commission, or similar compensation
 - Payment of cash tip or equivalent
 - Payment for vacation, parental, family, medical, or sick leave
 - Allowance for dismissal or separation
 - Payment required for the provisions of group health care benefits, including insurance premiums
 - Payment of any retirement benefit
 - Payments of state/local tax assessed on the compensation of the employee
- For Sole Proprietors, Independent Contractors, and Self-Employed Individuals, the sum of payments of any compensation with respect to employees that is a:
 - Salary, wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

PPP: Excluded Payroll Costs

- Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period from 2/15/20-6/30/20.
- Payroll taxes, railroad retirement taxes, and income taxes.
- Any compensation of an employee whose principal place of residence is outside of the US.
- Qualified sick/family leave wages for which a credit is allowed under Section 7001/7003 of the Families First Coronavirus Response Act

PPP: Types of Employers

Non-Seasonal Employers

- Maximum Loan = 2.5x average total monthly payroll costs incurred during the year prior to the loan date.
- For businesses not operational in 2019...
 - Maximum Loan = 2.5x average total monthly payroll costs incurred for January and February 2020.

Seasonal Employers

- Maximum Loan = 2.5x average monthly payments for payroll costs for the 12-week period beginning 2/15/19 or 3/1/19 (decided by the loan recipient) and ending 6/30/19.

PPP: Will this Loan be Forgiven?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the loan origination date:

- Payroll costs
- Interest on mortgage
- Rent on a leasing agreement
- Utility payments
- For borrowers with tipped employees, additional wages paid to those employees.
- The forgiveness cannot exceed the principal

Can the forgiveness be reduced?

- The calculated loan forgiveness is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages.

PPP: Forgiveness Reduction Calculation

Use the calculations below to estimate your reduction:

Reduction based on reduction of number of employees



Payroll
Cost

X

Average Number of
Full-Time Equivalent
Employees (FTEs)
Per Month for the
8-Weeks Beginning
on Loan Origination

÷

Option 1:

Average number of FTEs per month from
February 15, 2019 to June 30, 2019

Option 2:

Average number of FTEs per month from
January 1, 2020 to February 29, 2020

For Seasonal Employers:

Average number of FTEs per month from
February 15, 2019 to June 30, 2019

Reduction based on reduction in salaries



Payroll
Cost

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For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

PPP: What if I Bring Back Employees or Restore Wages?

Reductions in employment or wages that occur during the period beginning on 2/15/20 and ending 30 days after the enactment of the CARES Act shall not reduce the amount of loan forgiveness IF by 6/30/20 the borrower eliminates the reduction in employees or wages.

How do I Apply for the PPP?

- The SBA guarantees the loans, so borrowers will need to apply through banks, credit unions, and other lenders.
- Approximately 1,800 lenders are already approved to issue 7(a) loans.
- The best way to begin is to contact your lender and inquire about applying for a 7(a) small business loan.

What's Next?

- Look for more information about eligible lenders and additional guidance from the SBA soon.
- For more resources, visit <https://www.uschamber.com/co/> or <https://www.sba.gov/>

Additional Resources Regarding COVID-19:

- Centers for Disease Control (CDC)
<https://www.cdc.gov/coronavirus/2019-ncov/index.html>
- World Health Organization (WHO)
<https://www.who.int/emergencies/diseases/novel-coronavirus-2019>