



Dear Friends of Second Wind,

Following is an overview of several financial relief opportunities that small businesses may consider as they plan their recovery from the COVID-19 crisis. The information provided is designed to help educate you about the options available and which opportunities may be right for your business.

With that said, it is very important that you contact your banker quickly to discuss these opportunities and others that may be available to you. The sooner you begin that dialogue with your banker, the sooner financial assistance may begin.

The following information has been provided by a regional bank in our area. We'd like to thank them for their time and for sharing this valuable information.

As always, please contact us with any questions at [info@secondwindonline.com](mailto:info@secondwindonline.com).

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## **Paycheck Protection Program Loans**

The "Paycheck Protection Program," is an emergency lending facility, administered by the Small Business Administration (SBA), to provide small business loans through Banks on favorable terms to borrowers impacted by the current state of economic uncertainty. Providing \$349 billion in new lending capacity, it accounts for a majority of the small business assistance provided in the CARES Act. Congress intended the Paycheck Protection Program to accomplish two fundamental goals: (1) help small businesses cover their near-term operating expenses during the worst of the crisis, and (2) provide a strong incentive for employers to retain their employees.

### **Who is eligible for the loan?**

You are eligible for a loan if you are a small business that employs 500 employees or fewer, or if your business is in an industry that has an employee-based size standard through SBA that is higher than 500 employees. In addition, if you are a restaurant, hotel, or a business that falls within the North American Industry Classification System (NAICS) code 72, "Accommodation and Food Services," and each of your locations has 500 employees or fewer, you are eligible. Tribal businesses, 501(c)(19) veteran organizations, and 501(c)(3) nonprofits, including religious organizations, will be eligible for the program. Nonprofit organizations are subject to SBA's affiliation standards. Independently owned franchises with fewer than 500 employees, who are approved by



SBA, are also eligible. Eligible franchises can be found through SBA's Franchise Directory.

**I am an independent contractor or gig economy worker, am I eligible?**

Yes. Sole proprietors, independent contractors, gig economy workers, and self-employed individuals are all eligible for the Paycheck Protection Program.

**What is the maximum amount I can borrow?**

The amount any small business is eligible to borrow is 250 percent of their average monthly payroll expenses, up to a total of \$10 million. This amount is intended to cover 8 weeks of payroll expenses and any additional amounts for making payments towards debt obligations. This 8-week period may be applied to any time frame between February 15, 2020 and June 30, 2020. Seasonal business expenses will be measured using a 12-week period beginning February 15, 2019, or March 1, 2019, whichever the seasonal employer chooses.

**How can I use the money such that the loan will be forgiven?**

The amount of principal that may be forgiven is equal to the sum of expenses for payroll, and existing interest payments on mortgages, rent payments, leases, fixed debt payments, and utilities. Payroll costs include employee salaries (up to an annual rate of pay of \$100,000), hourly wages and cash tips, paid sick or medical leave, and group health insurance premiums. If you would like to use the Paycheck Protection Program for other working capital needs and business-related expenses, like inventory, you can, but that portion of the loan will not be forgiven.

**When is the loan forgiven?**

The loan is forgiven at the end of the 8-week period after you take out the loan. You will work with your bank to verify and document covered expenses and the proper amount of forgiveness.

**What is the covered period of the loan?**

The covered period during which expenses can be forgiven extends from February 15, 2020 to June 30, 2020. You can choose which 8 weeks they want to count towards the covered period, which can start as early as February 15, 2020.



### **How much of my loan will be forgiven?**

The purpose of the Paycheck Protection Program is to help you retain your employees, at their current base pay. If you keep all of your employees, the entirety of the loan will be forgiven. If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees. If your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25 percent, loan forgiveness will be reduced by the same amount. If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.

### **Am I responsible for interest on the forgiven loan amount? Will it hurt my credit score?**

No, if the full principal of the PPP loan is forgiven, you are not responsible for the interest accrued in the 8-week covered period. The remainder of the loan that is not forgiven will operate according to the loan terms outlined in your loan agreement. Your credit score will not be impacted.

### **What are the interest rate and terms for the loan amount that is not forgiven?**

The terms of the loan not forgiven may differ on a case-by-case basis. However, the maximum terms of the loan feature a 10-year term with interest capped at 4 percent and a 100 percent loan guarantee by the SBA. You will not have to pay any fees on the loan, and collateral requirements and personal guarantees are waived. Loan payments will be deferred for at least six months and up to one year starting at the origination of the loan.

### **When is the application deadline for the Paycheck Protection Program?**

You are eligible to apply for the PPP loan until June 30th, 2020.

### **If I have applied for, or received an Economic Injury Disaster Loan (EIDL) related to COVID19 before the Paycheck Protection Program became available, will I be able to refinance into a PPP loan?**

Yes. If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, you may not take out an EIDL and a PPP for the same purposes. Remaining portions of the EIDL, for purposes other than



those laid out in loan forgiveness terms for a PPP loan, would remain a loan. If you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.

## **EIDL Program Loans**

SBA's Economic Injury Disaster Loans (EIDL) offer up to \$2 million in assistance and can provide vital economic support to small businesses to help overcome the temporary loss of revenue as a result of COVID-19. 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.

### **What is an Economic Injury Disaster Loan?**

It is a low-interest federal loan issued by the SBA to alleviate economic injury small businesses or private non-profits are experiencing injury and, in this case, injury caused by the Coronavirus (COVID-19). They become available once a county or state gets an Economic Injury Disaster Loan assistance declaration also issued by the SBA.

More information can be found at

<https://disasterloan.sba.gov/ela/Information/EIDLLoans>

### **What banks are authorized to offer these economic injury disaster loans?**

The SBA offers the economic injury disaster loans, not banks. Small businesses should apply for Economic Injury Disaster Loans at <https://disasterloan.sba.gov/ela/>

Traditional SBA-backed loans are available as well; to find an SBA-approved lender, visit <http://www.sba.gov/lendermatch>.

### **What can an EIDL be used for?**

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.

### **How does a business qualify for an EIDL?**

Many factors go into qualifying for an EIDL. A primary one is that a small business has to show a loss effective January 31, 2020, to now and/or in the future, as compared to 2019 financials.



### **How does a small business apply for an EIDL?**

The SBA highly recommends using the online loan application, which can be found at <https://disasterloan.sba.gov/ela/>.

Small businesses will need the following:

- Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates.
- Complete copies of the most recent Federal Income Tax Return.
- Schedule of Liabilities (SBA Form 2202).
- Personal Financial Statement (SBA Form 413).

### **What is the process for and turnaround time from loan application to receiving the funds?**

The loan process can be found at the link below and turnaround time is approximately five days for review and the receipt of funds once the loan is approved takes approximately 3 weeks.

[https://disasterloan.sba.gov/ela/Documents/Three\\_Step\\_Process\\_SBA\\_Disaster\\_Loans.pdf](https://disasterloan.sba.gov/ela/Documents/Three_Step_Process_SBA_Disaster_Loans.pdf)

### **What is the limit my business can borrow?**

Each qualifying small business can apply for a loan of up to \$2M to assist with economic recovery. There is no state or territory limit.

### **What are the interest rates for EIDLs?**

The interest rate is 3.75% for small businesses and the interest rate for nonprofits is 2.75%.

### **When does my business have to start paying back the loan?**

EIDLs repayment is deferred for four months. Further, SBA offers loans with long-term repayments 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.



## What Option is Best for Me?

Here is a high-level comparison of the two SBA relief programs that are available in response to the coronavirus pandemic. This is intended to be a high-level, easy-to-understand comparison.

	<b>EIDL</b>	<b>PPP</b>
Who will give me my Loan?	The loan will be directly with the SBA	A qualified and preferred SBA lender.
How much can I borrow?	The maximum loan amount under the EIDL is \$2 million.	The <i>lesser</i> amount of:  Your Avg. Monthly <b>Payroll</b> Costs x 2.5  - or -  \$10 million.  <b>Payroll</b> includes salaries, commissions, tips, certain employee benefits (including health insurance and retirement benefits), state and local taxes and certain types of compensation to sole proprietors or independent contractors. Payroll costs specifically exclude employees who are compensated at \$100,000 or greater, foreign employees, FICA and income tax withholdings
What is the annual interest rate?	3.75% for businesses, 2.75% for non-profits	4%
What Is the term of the loan?	Up to 30 years	10 years
When is the first loan payment due?	One year after the loan origination date (interest is accrued during the deferment)	At least six months after the loan origination date (interest is accrued during the deferment)



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What is the term of the loan?	Financial obligations and operating expenses that could have been met had the disaster not occurred	Payroll costs (as defined above), group healthcare benefits, insurance premiums, and interest (but not principal) on mortgages or other debt incurred prior to February 15, 2020, rent on any lease in force prior to February 15, 2020 and utility payments
Do I need to pledge collateral? What about guarantees?	The SBA will place a UCC lien against the assets of the business, and requires a personal guarantee. May also require personal real estate to be pledged to secure the loan.	No collateral is required from either the business or its owners. Personal guarantees are not required.
Is this a forgivable loan?	No, but you may be eligible to receive a grant for up to \$10,000 to be used towards the loan.	Generally, two months of payroll costs, interest paid on mortgages, rent, and utility payment. The amount forgiven is based on maintaining full-time employees and compensation levels.
How long does it take to apply?	2-3 weeks plus an additional 5 days for funding	You can apply today but the bank is unable to disburse funds until it receives additional guidance from the SBA.
Can I apply for both Loans?	You may apply for both EIDL and PPP loans, but will only be eligible to obtain a loan from one program	