



COVID-19 Small Business Update



SYNOPSIS OF THREE LOANS AND THE ADVANCE

- **The Economic Injury Disaster Loan (EIDL)** is a 30-year, fixed-rate 3.75% interest rate loan for small businesses under 500 employees. Its purpose is to provide **6 months of working capital** to cover monthly business expenses which include rent, utilities, accounts payable, loan payments, and payroll expenses. There is no obligation to accept it and there are no pre-payment penalties. Sole proprietors, independent contractors, cooperatives, employee-owned businesses, tribal small businesses, small agricultural cooperatives, and non-profits [501 (c)(3), 501 (c)(6), 501 (c)(19)], may apply. In the case of non-profits the interest rate is 2.75% with all other requirements the same as small businesses. This loan is direct from the Federal SBA and is funded through the US Treasury.
All funds have been allocated and the SBA continues to process applications.

- **Included in the EIDL application** was a request for a near-immediate **grant of up to \$10,000**. The Advance was determined based on the number of employees up to a maximum of \$10,000 per business. This does not need to be repaid and can be used for rent, payroll, utilities, mortgage payments, and other operating expenses. The only way to access this grant is to apply for the EIDL. There is no obligation to accept the EIDL once an SBA Loan officer contacts the applicant to discuss the loan. The intent is to provide the advance of up to \$10,000 within 3-5 days of submitting the application via a direct deposit to the business or non-profit bank account. This grant is direct from the Federal government and funded through the US Treasury as part of the CARES Act.
Effective July 11, 2020, the Advance is no longer available.

- **The Paycheck Protection Program** provides small businesses with funds to pay **up to 24 weeks** of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities. At least **60%** of the forgiven amount must have been used for payroll. Loan payments will be deferred for 10 months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees. In order for the loans to be forgiven, employers **MUST** keep employees on payroll at the same salaries as before the crisis or quickly rehire employees once the crisis passes. Small businesses with 500 or fewer employees – including private nonprofits (501 C 3 and 19 only), veterans organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors – are eligible. Businesses with more than 500 employees are eligible in certain industries. This loan is processed through SBA 7(a) approved lenders and other SBA approved agents.
 - This is a fixed-rate 1.0% loan due in 5 years with no pre-payment penalty and no application fees.
 - The loan amount is 2.5X payroll costs including health and retirement benefits, vacation, sick leave, and state and local payroll taxes. It does not include Federal payroll tax.
 - Only 40% is to be used for rent, mortgages, utilities and other expenses.

- **SBA Debt Relief 6-Month Payment Program** – The SBA will make 6 months of principal, interest and fees payments for any SBA loans in place prior to March 13 and any new SBA 7(a), 504, and microloans disbursed prior to September 27, 2020. This relief does not apply to EIDL or PPP programs loans. Payments will start automatically for loans not on deferment. For those already being deferred by the lender, the borrower can choose to have these payments start immediately after the lender deferments have ended and should contact their lender about this. For details [visit the SBA website](#).

- **Express Bridge Loan** for the COVID-19 disaster can be applied for through **March 13, 2021**. It can only be made through a qualified SBA Express Lender. Eligible small businesses are those with which the SBA Express Lender had a pre-existing banking relationship prior to March 13. The small business must have a physical presence in the area where the disaster is declared. This can include a home office. An applicant can obtain only one (1) EBL. The EBL will NOT count toward the maximum number of SBA Express loans a borrower can have, but it WILL count towards the maximum limitation on the amount of 7(a) loans a borrower can have. See *Express Bridge Loan Program Guide* for more information.
 - Maximum loan amount is \$25,000
 - Loan is guaranteed by the SBA and counts towards the SBA maximum guaranty exposure for all SBA Express Loans with the lender.
 - Term loan for a maximum of 7 years (cannot be a line of credit)
 - Can only be used for the business survival or to reopen the business
 - Rate can be up to 6.5% over Prime, either fixed or variable depending on lender standards
 - Subject to the same upfront fees as with SBA 7(a) loans
 - Lender may charge annual service fees as with SBA 7(a) loans
 - Lender may impose other fees

Criteria to qualify for the EBL:

- Business owner cannot get available credit elsewhere, meaning they cannot obtain loan funds at reasonable rates from non-Federal sources;
- Business was operational on or before March 13, 2020
- Owner can demonstrate that COVID-19 has adversely affected their business
- Business has a FICO Small Business Credit Score of at least 130
- Owner/guarantor has a satisfactory personal credit score under the lender's standards
- Business must be small under SBA size requirements for that industry
- Business cannot have any associates who are incarcerated, on probation, on parole, or subject to an indictment, criminal information, arraignment, or have any formal criminal charges against them in any jurisdiction
- Owner cannot have any delinquent Federal debt or prior loss to the government, unless it was waived by the SBA for good cause.

If you have questions or need assistance, please contact the Yavapai College SBDC.

Visit www.yc.edu/sbdc and click on the **large green button** to get help for business owners and entrepreneurs. Or call 928-717-7232 to schedule a virtual appointment.