

## Disaster COVID-19 Business Lending 201

With the passage into law of the CARES Act business owners will soon have the following options available to them for financial assistance.

The primary resource currently remains the SBA EIDL program. This program now consists of two interrelated levels. Additionally there are options for lending via SBA approved local lenders.

*While we await details and instructions on each of these from the U.S. Small Business Administration, the important information we know from Congressional communication is listed below:*

### 1) Economic Injury

The SBA EIDL is applied for on-line via the SBA portal and has two components:

- i) **The Economic Injury Disaster Loan (EIDL) available through December 31, 2020;** this is a low interest, long-term loan that has a detailed list of requirements.
  - (1) It is a working capital loan that covers the gap between expenses and revenues for the period from 1/31/20 to 12/31/20 (whether that be a complete or partial reduction of revenues from the same period last year). It does **not** cover lost sales
  - (2) It will take into consideration other loans that you have secured in relationship to COVID-19. **So all loan/financing options should be considered in concert.**
- ii) **The Emergency Economic Injury Grant (EEIG)** is the newly added component that allows a business to request a grant up to \$10,000.
  - (1) The SBA is updating their online application system over the coming days to incorporate this request when businesses apply for the loan.
    - (a) In the interim, businesses can still apply for a full EIDL (loan) but will **need to reapply** (to request the grant/advance) when the system is updated and has one streamlined application process. At that point, the request for the grant/advance will be included in the EIDL application process.
    - (b) The advance does not need to be paid back under any circumstances.

### 2) Debt Relief Programs

This is a group of SBA loan vehicles that will be accessed through SBA approved lenders in Vermont. These will work in concert with the EIDL and any funds lent through these programs will be considered as mitigation of the final amount lent via the EIDL. These include:

- a) **The Small Business Debt Relief Program** covers the SBA 7a, 504 and Microloan Program. These loans can be used for short and long-term working capital.
- b) **The SBA Express Bridge Pilot Program** allows small businesses that currently have a relationship with an SBA Express Lender to access up to \$25,000 with less paperwork. These loans can help small businesses overcome the temporary loss of revenue they are experiencing and can be a term loan or used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan.

- 3) **The Paycheck Protection Program (PPP) available through June 30, 2020**; is a loan specifically designed to cover payroll and payroll expenses for employers who maintain their workforce during the COVID-19 emergency. This loan will also be available thru SBA approved lenders.

There will also be some local lending coming on line in the next couple of weeks as RDC's and Towns work to re-orient their current lending programs to address the disaster. These will be smaller amounts that should be seen primarily as bridge loans while applications for the above are in process. We are, collectively, strategizing on how to best utilize these funds to help businesses as part of a broader strategy with the current Federal programs and others that may still emerge.

**As part of your preparation to apply for any loan/financing option, you should make sure the following is in order and all documents are ready to be uploaded electronically:**

1. A list (diary or narrative) of actions that you have taken in response to COVID-19, and direct impact you have seen. For example: 3/17/20 "laid off 2 employees" {names, # of hours typically worked and pay rate} and directed them to unemployment. Return to work date given with the date). This list will help identify economic impact.
2. Have the following financial records up to date:
  - a. Profit and Loss
  - b. Balance Statement
  - c. Sales records for 2019 and 2020 to date (this should come from QuickBooks or your POS or whatever system you use to capture daily income). Showing the actual impact on revenues is the basis of economic impact lending.
  - d. Three years of completed tax returns (personal and business). If 2019 is not complete, then a 2019 Profit & Loss Statement.
  - e. Up to date Accounts Payable.
  - f. Up to date Accounts Receivable.
  - g. An up to date list of your collateral (including your personal real estate) with item description and current replacement value.

A list of monthly expenses/revenues projected for the next 9 months. These can be estimates and can have multiple scenarios depending on whether you are staying open at full capacity/reducing open hours/closing. At this point this should be constructed based on your Profit and Loss for the same months last year: March – December.

Training materials will be forthcoming. Business assistance will continue to be provided by and available from VtSBDC ([vtsbdc.org](http://vtsbdc.org)) and the Regional Development Corporation in your region.