



Together Progress

Sawyer County Covid-19 Local Recovery Webinar

With Mike Stamp, President - Hayward Market Peoples Bank Midwest and
Andy Donahue, Director Small Business Development Center, University of
Wisconsin - Superior

2pm -- Friday, April 3, 2020



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Agenda For Today

- SBA Economic Injury Disaster Loan Program (EIDL)
- SBA Paycheck Protection Program
- Other Resources available
- Mike Stamp – Peoples Bank Midwest
- Questions

Capital Access

- SBA provides a number of loan resources for small businesses to utilize when operating their business. For more information on loans or how to connect with a lender, visit: <https://www.sba.gov/funding-programs/loans>.
- **How to get access to lending partners?** SBA has developed Lender Match, a free online referral tool that connects small businesses with participating SBA-approved lenders within 48 hours.

SBA Economic Injury Disaster Loan Program (EIDL)

- The U.S. Small Business Administration is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).
- Self-employed individuals, independent contractors, sole proprietors, and businesses, Tribal business concerns, ESOPs, cooperatives and private/501(c)(3) non-profits with 500 or fewer employees

SBA Economic Injury Disaster Loan Program

- SBA's Economic Injury Disaster Loans offer up to \$2 million in assistance and can provide vital economic support to small businesses.
- 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. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.
- SBA offers loans with long-term repayments in order 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.

SBA Economic Injury Disaster Loan Program

- **What is the criteria for a loan approval?**
 - Credit History-Applicants must have a credit history acceptable to SBA.
 - Repayment –SBA must determine that the applicant business has the ability to repay the SBA loan.
 - Eligibility-The applicant business must be physically located in a declared county and suffered working capital losses due to the declared disaster, not due to a downturn in the economy or other reasons.

SBA Economic Injury Disaster Loan Program

What are the collateral requirements?

- Economic Injury Disaster Loans over \$25,000 require collateral.
- SBA takes real estate as collateral when it is available.
- SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available.
- No personal guarantee for loan amounts up to \$200,000

SBA Economic Injury Disaster Loan Program

- Loan amount - SBA will look at the last three years historical to determine what the business could have paid if the disaster would not have occurred.
- Turnaround time is approximately five days for review and the receipt of funds once the loan is approved takes approximately 3 weeks.

- <https://covid19relief.sba.gov/>



DISCLOSURES



BUSINESS INFORMATION



BUSINESS OWNERS INFORMATION



ADDITIONAL INFORMATION



SUMMARY

Have the following ready:

- Employer ID Number (EIN) or Social Security Number
- Date business established
- Annual revenue for the business
- Annual cost of goods sold for the business
- Bank Account name, routing number and account number (for direct deposit of a possible \$10,000 loan advance).

What you Need! (All available in the application)

- Completed SBA loan application (SBA Form 5)
- 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).
- Other Information may also be requested.
- *Although a paper application and forms are acceptable, filing electronically is easier, faster and more accurate.*

Economic Injury Grants (not part of PPP)

- These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you first apply for an EIDL - directly through the SBA - and then request the advance.
- Grant will not be made available until your are approved for EIDL loan – new as of April 3, 2020 (today).
- Grant increments will be \$1,000 per employee ** waiting on confirmation from SBA

Economic Injury Grants (not part of PPP)

- The advance does not need to be repaid under any circumstance, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.
- If you applied for the EIDL before 3-29-20, you will have to re-apply for the 10K. Applications after 3-29-30 include option to request 10K advance

Paycheck Protection Program (PPP)

- A significant focus of the CARES Act – \$350 Billion – is on the retention of employees, with the goal of helping the economy bounce back faster after the COVID-19 crisis. This program is retroactive to February 15, 2020 in order to help workers who may have already been laid off back onto payrolls.
- This loan will be structured similarly to the SBA's 7(a) loan program, but will have a 100% federal government loan guarantee.

How can I use the money?

The PPP provides small businesses with forgivable loans of up to \$10 million per company (8 weeks of payroll) for:

- Paid vacation, sick, medical or family leave;
- Costs related to continuation of group healthcare benefits during periods of leave;
- Employee salaries ,wages, commission, or similar compensation;
- Payments of interest on a mortgage (not prepayment of or payment on principal) or on rent;
- Utilities payments
- Payment of retirement benefits;
- Payment of state or local tax assessed on the compensation of employees; and
- Any other debt obligations.
- Note: Payroll costs exclude compensation paid to individuals above \$100,000 a year.

Determination of loan size:

- If you were in business February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- If you were not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

Loan Forgiveness

- Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8 week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over \$100,000):
 - Payroll costs plus any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) plus any payment on any covered rent obligation plus and any covered utility payment.

PPP Example – Loan Amount

Maximum Loan Amount			
<i>Represents the maximum amount a qualified borrower may apply for.</i>			
		<u>Last 12 Months</u>	<u>Average Monthly</u>
Maximum Loan Amount:			
Payroll Costs:*			
Salaries, wages, commissions, vacation and sick pay (not to exceed \$100K per employee) other than qualified sick or family leave		\$ 1,500,000	\$ 125,000
Group Health Insurance		85,000	7,083
Retirement Benefit Costs		50,000	4,167
State/Local Taxes on Employee Compensation (i.e., employer U.C. tax)		6,000	500
Self-Employed Income (and subcontractors) not to exceed \$100K per year per self-employed prorated for the period February 15, 2020 to June 30, 2020		200,000	16,667
			153,417
			2.5
<i>Subtotal</i>		<i>a)</i>	\$ 383,542
MAXIMUM LOAN AMOUNT [Lesser of a) or \$10 million]		<i>b)</i>	\$ 383,542

PPP Example – Forgiven Portion

Loan Forgiveness Amount			
<i>Represents the maximum amount a qualified borrower may have forgiven.</i>			
Costs Incurred During the "Covered" Period (8 weeks following loan origination):			
Payroll Costs (defined above)			\$ 310,000
Earnings from Self-Employment (if applicable)			\$ 30,000
Rent			45,000
Utilities			15,000
Interest on Covered Mortgages (on real or personal property)			6,000
Tentative Loan Forgiveness (before required reductions)			\$ 406,000
LESS: Required Reductions in Loan Forgiveness:			
<i>Number of Employees:</i>			
Monthly Average Full Time Equivalent ("FTE") Employees for the Covered Period (8 weeks following origination of the covered loan)**		32	
<i>Lesser of (at borrower's choice):</i>			
Monthly Average FTE's for the period February 15 to June 30, 2019	41		
Monthly Average FTE's for the period January 1 to February 29, 2020**	38	38	
% Reduction		15.79%	(64,105)
<i>Compensation Reduction:</i>			
Individual Employee Compensation Reduction in Excess of 25% Compared to the Most Recent Full Quarter Before Origination of Loan***			(30,000)
<i>Tentative Loan Forgiveness</i>		<i>c)</i>	\$ 311,895
TOTAL LOAN FORGIVENESS [lesser of b) or c) above]		d)	\$ 311,895
BALANCE OF LOAN NOT FORGIVEN (if any)			\$ 71,647

Latest Terms and Conditions

- **INTEREST RATE – 1.0%**
- **TERM – Two (2) years**
- **MAXIMUM LOAN AMOUNT - \$10,000,000**
- **PAYMENTS – Deferred for (six) months. (Interest continues to accrue.)**
- **COLLATERAL - No collateral or personal guarantees required**
- **FORMS NEEDED BY BORROWER**
 - **SBA Form 2483 (PPP Application)**
 - **Payroll documentation**

What you can do now:

- Gather and review last year's payroll cost records to determine the maximum PPP Loan eligibility.
- Prepare an eight-week budget for payroll costs, mortgage and rent payments, and utility expenses. When establishing this budget, potential borrowers should plan modifications to headcount and paid wages and salaries taking into account the potential reduction factors noted above, and should be aware of payment deferrals offered by lenders or landlords, or utility providers, in order to maximize the potential forgiveness amount of the PPP Loan.
- Compile documentation and records to support your application and determinations related to PPP Loan and forgiveness amounts.
- Prepare a summary statement demonstrating why the PPP Loan request is necessary to support the business operations as a result of current economic conditions.
- Contact your financial institution to see if they participate.
- Every bank might be different in how they are processing.

Other Lending Options Available

- Wisconsin Economic Development Corporation (WEDC)
- Kiva US Small Business Loans
- WWBIC Fast Track Loans
- Northwest Regional Planning Commission – Spooner
- Local Financial Lenders

Other tips and tricks:

- Any general business questions – SBDC consulting is no charge
 - Develop a plan for now – what you need to do to get by
 - Start thinking ahead – where are you going to go
- Make sure you are online – web presence and social media (at least two platforms).
- Think of ways you can get your product to your customer.
- How can your business help others?

Questions

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▶ THANK YOU

▶ Contact info:

- ▶ Info@sclcoedc.com
- ▶ sclcoedc.com/recovery-assistance
- ▶ SCLCOEDC Facebook Page

- ▶ Remember we are in this together and we are here to help you!!!!