



Getting Cash For Your Small Business Through The EIDL & CARES Act

Economic Injury Disaster Loans (EIDL)

The Small Business Administration's (SBA) Economic Injury Disaster Loans (EIDLs) are the first line of support in event of a disaster. This is the first time in history a virus or pandemic has been declared a disaster.

Because of that declaration, businesses in every state and territory are now eligible to apply for Economic Injury Disaster loans. (If you applied before the declaration was made, you may have been rejected because SBA Disaster Loan Assistance was unavailable for Coronavirus related economic impact at the time.)

The SBA offers many favorable terms in their EIDLs:

- Loans are up to \$2M
- The repayment term can be up to 30 years
- Interest Rates are 3.75% for small business and (2.75% for non-profits)
- The first month's payments may be deferred a full year from the date of the promissory note.
- See AAU's COVID-19 resource page at <http://aausports.org/resources> for detailed information on how to apply for the Economic Injury Disaster loans

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. It's an estimated \$2 trillion package, which specifically allots \$10 Billion for EIDLs and \$350 billion for Paycheck Protection Loans (more on those below) to help small businesses.

The EIDLs expanded provisions include:

- EIDLs can be approved by the SBA based solely on an applicant's credit score (not repayment ability and no tax return is required). Also, a prior bankruptcy doesn't disqualify you.
- EIDLs smaller than \$200,000 can be approved without a personal guarantee.
- Borrowers can receive \$10,000 in an emergency grant cash advance that can be forgiven if spent on paid leave, maintaining payroll, increased costs due to supply chain disruption, mortgage or lease payments or repaying obligations that cannot be met due to revenue loss. To apply for the emergency \$10,000 cash grant visit <https://www.sba.gov/funding-programs/disaster-assistance>

- It expands access to sole proprietors or independent contractors, as well as tribal businesses, cooperatives, and ESOPs with fewer than 500 employees and all non-profits including 501(c)(6)s.

The \$10,000 emergency cash grants allow applicants can get the emergency cash even if they don't qualify for additional funds. Because lending decisions are based on self-certification and the applicant's credit score, the review process should go quickly. CARES also waives the requirement that you be unable to obtain credit elsewhere. That means you can apply even if you already have a credit line.

There are no loan fees, guarantee fees or prepayment fees. As of March 30, the new streamlined online application is up and running. Make sure to apply for Economic Injury for the Coronavirus, rather than physical damage due to another disaster.

You have to have been in business by January 31, 2020 to qualify. The SBA also offers other information and programming at www.sba.gov/coronavirus.

Paycheck Protection Program Loan Guarantee

The CARES Act's Paycheck Protection Program Loan Guarantee offers another source of help. Under this program, the SBA backs small-business loans through local lenders.

The specifics of this loan program are:

- Offered to small businesses with fewer than 500 employees, select types of business with fewer than 1,500 employees, 501(c)(3) non-profits with fewer than 500 workers and some 501(C)(19) veteran organization (have to be in operation before February 15, 2020)
- Self-employed, sole proprietors, freelance and gig economy workers are also eligible to apply if you were operation before February 15, 2020
- Loans are given up to a maximum of the lesser of \$10 million, or 2.5 times the average monthly payroll costs – including wages for employees making under \$100,000, as well as expenses for paid sick leave, healthcare and other benefits - during the 1-year period before the date on which the loan was made
- The maximum interest rate under this program is 4%
- The loan term is up to 10 years
- No personal guarantee or collateral is required for the loan
- Payments are deferred up to six to 12 months
- Part of this loan may be forgiven, if it's spent during the first eight weeks on operating expenses

As with the \$10,000 advance in EDILs, loan forgiveness provisions are generous. Loans are forgiven when the proceeds are used for any of these costs:

- Payroll costs, excluding prorated amounts for individuals with compensation greater than \$100,000

- Rent pursuant to a lease in force before February 15, 2020
- Electricity, gas, water, transportation, telephone, or internet access expenses for services which began before February 15, 2020
- Group health insurance premiums and other healthcare costs

However, in order for the amounts to be forgiven, you must maintain the same average number of employees for the first eight-week period beginning on the origination date of the loan as you did from February 15, 2019 - June 30, 2019 or from January 1, 2020 until February 15, 2020. If you don't meet this requirement, the amount forgiven is reduced. You incur additional reductions if you cut compensation for employees who make under \$100,000 by more than 25%, as compared to the most recent quarter. (The US Chamber of Commerce offers a step-by-step calculation here:

https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final.pdf

You won't be penalized for a reduction in employment or wages during the period from February 15, 2020 to April 26, 2020, if you rehire employees that you previously laid off or restore any decreases in wages or salaries by June 30, 2020.

You will apply for the Paycheck Protection Loan directly through your local lending institution. As a business owner, you must personally certify that your company qualifies as a small business (you can check the [North American Industry Classification System \(NAICS\) small business standards here](#)).

There will be a very significant demand for this type of loan. Currently, lending institutions are awaiting guidance on the application process. The loan process for the PPP Act is not yet in operation but should be by the April 3, 2020. You can help yourself prepare by using [this checklist from the Chamber of Commerce](#) and contacting your local lender.

Both of these programs can provide a significant boost to struggling businesses. You can use these loan proceeds to pay a variety of working capital — payroll, rent, utilities, etc.

The demand will be high, so it's important to make sure you apply for the right type of loan for your business:

- Apply! If you need funding now, or think you may need it in the future, you might as well apply now. You're under no obligation to take the loan. And, there are no guarantee fees, servicing fee or prepayment fees
- EDILs are based on working capital needs, so make sure you have a good sense of what those are.
- You can apply for both types of loans, as long as they cover different expenses (not a duplicative purpose). This is also true if you're pursuing other local or regional government assistance
- For the EDILs you can apply directly through the website
- Make sure to specify the economic loss as it pertains to COVID-19

Please contact Angela Guardia, CPA, AAU Director of Finance with any questions. You can reach her at aguardia@aausports.org