

The Trust Presents:



FIRST FRIDAYS: SBA LOANS OVERVIEW

LEARN ABOUT THE GREAT LOAN OPTIONS AVAILABLE WHEN STARTING OR SUSTAINING YOUR SMALL BUSINESS

FRIDAY, SEPTEMBER 4 | 11 AM EST



ROD JOHNSON
US SMALL BUSINESS ADMINISTRATION



**THE
TRUST**
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SBA-backed Loan Products

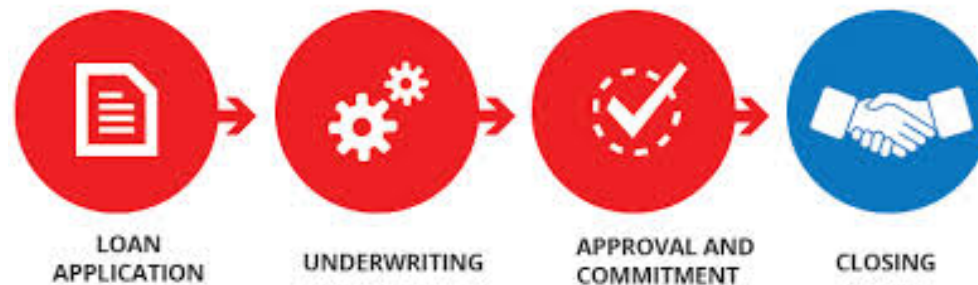
www.sba.gov/funding-programs/loans

- 7(a) Loans
- SBA Express
- SBA Veterans Advantage
- CapLines
- Community Advantage
- International Trade
- Export Working Capital Program
- Export Express
- 504 Loans

SBA-Backed Loan Process

The Five Essential Steps

1. Borrower applies to a qualified lender
2. Lender approves loan “subject to” SBA Guaranty
3. Lender submits request to SBA
4. SBA approves lender request
5. Lender settles and services loan



What to Take to Your Lender

- Business Plan
- Resumes of Key Management Team Members
- Business Financials (Balance Sheet, Income Statement, Cash Flows, Equity Statement)
- Use of Proceeds
- Cash Flow Projections
- Legal Documents
- Personal Financials & Tax Returns
- Proof of Equity Investment (Start-ups)

Borrower Requirements

- Feasible business plan
- Good character
- Management expertise
- Commitment to succeed
- Adequate working capital
- Ability to repay
- Citizen or Legal Resident



Additional Requirements

No outstanding judgments, liens, or open bankruptcy

No previous loss to government

No delinquent child support or student loans

- For-profit small business, as determined by SBA size standards (www.sba.gov/size)
 - SBA size standards indicate the maximum size a business can be to participate in government contracting programs and compete for contracts set aside for small businesses
 - Size standards vary by industry; generally based on the number of employees or dollar amount of company's annual receipts
- Personal contribution of equity
- Legal business and SBA-approved industry

Activities Not Eligible for SBA Loans

- Investments (including apartment buildings)
- Financial lending
- Pyramid sales/multi-level marketing schemes
- Gambling or adult entertainment
- Non-profit or religious organizations
 - *Exceptions made for Paycheck Protection Program and COVID-19 Economic Injury Disaster Loans*
- Activities that discriminate or restrict patronage
- Transportation vehicles for personal use



Using Loan Payment Deferrals to Augment Cash Flow

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-debt-relief>

Existing SBA loans

- 7(a), 504 or Microloans: Loan payments can be deferred up to six months. Business owners should talk with their lenders and ask for a loan modification
- Existing Disaster Assistance Loans: SBA is automatically deferring payments on all outstanding disaster loans through December 31, 2020

Non-SBA Business Loans

- Borrowers can discuss with their banker/lender the option to defer loan payments. The length of any deferment would be determined by the bank or lending institution

CARES Act: Small Business Debt Relief Program

- Financial regulatory agencies have issued a joint letter to financial institutions, strongly recommending lenders work with borrowers to offer loan deferments in response to the COVID-19 pandemic
- Such deferments neither impact the lender's standing with bank regulators, nor reflect negatively on the borrower's credit score

CARES Act: Paycheck Protection Program (PPP)

- These are **not** direct loans from SBA (different from the Economic Injury Disaster Loan program)
- PPP loans are processed through participating banks and financial institutions
- Lenders will not charge loan fees for PPP loans
- SBA is providing a 100% loan guarantee to lenders
- As of July 8, over \$125 billion in PPP funding remains available
- **Deadline to apply is August 8, 2020**

CARES Act: Paycheck Protection Program (PPP)

Eligible Entities

Small businesses, non-profits (including religious organizations), veterans' organizations, and Tribal concerns that have 500 or fewer employees or are within SBA size standards (www.sba.gov/size) are all eligible to apply. Self-employed individuals are also eligible. Accommodations and Food Services concerns (NAICS Code starting with 72) with more than one physical site are eligible if no more than 500 workers are employed per location.

To locate a PPP lender near you, visit

<https://www.sba.gov/paycheckprotection/find>

- Loan Amount: Up to \$10 million, reflecting 2.5 times the firm's average monthly payroll costs
- Interest Rate: 1%
- Loan Fees: None
- Use of Funds: Primarily for payroll costs and benefits; other allowed expenses include mortgage interest, rent, & utilities
- Collateral: None required, no personal guarantees needed
- Maturity: 2 years on loans made prior to June 5; after this date, increased to 5 years.
- First Payment: No payment required for at least one year (covered period + 10 months)
- Pre-Payment: No penalty

CARES Act: Paycheck Protection Program (PPP)

Loan Forgiveness (60/40 Rule)

- A PPP loan will be forgiven in its entirety if 60% or more of the loan amount is used on payroll, including benefits costs, and staff levels are maintained within the covered period (24 weeks from date of disbursement)
- Partial forgiveness will be granted if 60% spent or more is spent on payroll costs beyond the covered period

Economic Injury Disaster Loan (EIDL)

Eligible Entities

Small businesses, non-profits of any size (including religious organizations), veterans' organizations, Tribal concerns, and self-employed individuals are all eligible. If the applicant is a business, the concern must have no more than 500 employees or be within SBA size standards (www.sba.gov/size)

- Loan Amount: Up to \$150,000, reflecting two months of average monthly gross profits
- Interest Rate: 3.75% (2.75% for non-profits)
- Use of Funds: to pay rent, mortgage interest, utilities, payroll, fixed debts, accounts payable and other bills
- Maturity: 30 Years
- Loan Fees: None
- Collateral:
 - \$25,000 or less – none required
 - >\$25,000 – lien on business assets
 - Applicants will not be declined due to a lack of collateral
- Personal Guaranty: Required
- First Payment: No payment required for first year (12 months)
- Pre-Payment: No pre-payment penalty

The Economic Injury Disaster Loan (EIDL) Advance Program is NO LONGER AVAILABLE

- On July 11, 2020, the SBA announced the successful conclusion of the Economic Injury Disaster Loan (EIDL) Advance program
 - EIDL Advances provided \$20 billion in emergency funding to nearly six million U.S. small businesses and non-profits, employing 30.5 million people
 - To assist the greatest number of small businesses, the EIDL Advance program provided applicants \$1,000 per employee – up to a maximum of \$10,000
 - Recipients neither have to repay the Advance, nor be approved for an EIDL
 - The Advance provided an interim but vital source of funds, while applicants awaited a decision on the loan portion of their EIDL application
- Having allocated the full \$20 billion that was appropriated for this program by Congress, the SBA has now discontinued making EIDL Advances to new applicants
- By law, the SBA is not permitted to issue new EIDL Advances once all program funding has been obligated
- Despite the Advance program's conclusion, EIDL (loan) applications continue to be accepted and processed at <https://covid19relief.sba.gov/#/>.

When PPP Loan Proceeds Must Be Used to Refinance EIDLs

- An EIDL may not be refinanced with a PPP loan when the PPP borrower received the EIDL before January 31, 2020 or after April 3, 2020
- An EIDL is not required to be refinanced with a PPP loan when the PPP borrower received funds from an EIDL from January 31, 2020 through April 3, 2020; and the PPP borrower **used the EIDL loan for purposes other than payroll costs**
- A PPP loan must be used to refinance the full amount of the EIDL when the PPP borrower received funds from the EIDL loan from January 31, 2020 through April 3, 2020; and the PPP borrower **used the EIDL loan funds to pay payroll costs**. The amount of the EIDL loan to be refinanced does not include the amount of any EIDL “advance” (also referred to as an EIDL “grant”) received by the PPP borrower because the EIDL advance does not need to be repaid

SBA Express Bridge Loans

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-express-bridge-loans>

SBA Express Bridge Loans

- Allows small businesses that currently have a business relationship with an SBA Express Lender to access up to \$25,000 with less paperwork
- Can be used as short-term funding to bridge the gap while applying for an [Economic Injury Disaster Loan](#) or used as term loan
- Repayment in full or partially via the SBA Economic Injury Disaster Loan program
- These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing

Loan Application Support

For questions about the status of an Economic Injury Disaster Loan (EIDL) application...

- **SBA's Disaster Customer Service Center** may be reached by phone at **800-659-2955** (every day, 8:00am to 8:00pm ET). Individuals who are deaf and hard of hearing may contact 800-877-8339 (TTY)
- Email disastercustomerservice@sba.gov

For questions about the status of a Paycheck Protection Program loan application, please call your lender directly

Entrepreneurial Mentoring & Coaching Support

- **SBA-funded Resource Partners offer you FREE one-on-one business counseling sessions via phone and video**
- **Business coaches can help you strategize business solutions**
- **Specialists are standing by to help you anticipate materials required for your business loan application**

SCORE

202-619-1000 (DC/MD/NoVA)

<https://washingtondc.score.org/>



Small Business Development Centers (SBDCs)

202-889-1550 (DC); 301-403-8300 (MD); 703-277-7703 (NoVA)

<https://www.dcsbdc.org>

<https://www.marylandsbdc.org/locations/corridor-region>

<https://www.virginiasbdc.org/>



Women's Business Centers (WBCs)

202-393-8307 (DC); 301-315-8091 (MD); 703-768-1440 (NoVA)

<http://www.dcwbc.org>

<http://www.marylandwbc.org>

<https://cbponline.org/who-serve/women/>



Veterans Business Outreach Center (VBOC)

703-768-1440 (DC/MD/NoVA)

<https://cbponline.org/who-serve/veterans/>



Thank You

SBA-Washington Metropolitan Area District Office

www.sba.gov/dc