

**SBA Assistance
under the Economic Aid Act
of December 27, 2020**



U.S. Small Business
Administration

The SBA works to ignite change and spark action so small businesses can



START • GROW • EXPAND • RECOVER

This presentation is developed to provide a general overview of the processes related to provisions in the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Acts (the Economic Aid Act). In the event of any inconsistency between this presentation and the Economic Aid Act, the Paycheck Protection Program Flexibility Act of 2020, the CARES Act, PPP IFRs, PPP/EIDL FAQs, PPP/EIDL Application Forms and Instructions, and other PPP/EIDL guidance (together, official guidance), the official guidance governs.

Information continues to be updated on the Economic Aid Act. Please check [SBA.gov/ppp](https://www.sba.gov/ppp) and [SBA.gov/coronavirusrelief](https://www.sba.gov/coronavirusrelief) for the most up-to-date information.

This presentation reflects information as of January 17, 2021.

Assistance From SBA Resource Partners

Free assistance with preparing financial statements, submitting the loan applications, and recovery tools are available from any of SBA's Resource Partners:

Locate Partner: <https://www.sba.gov/local-assistance>

- Small Business Development Centers (SBDCs)
- SCORE
- Women's Business Centers (WBC)
- Veteran's Business Outreach Centers

SBA's Economic Injury Disaster Loan Eligibility

EIDL (working capital loans) applications are accepted through December 2021, pending availability of funds, and are available to:

- Small businesses, including small agricultural and aquaculture businesses
- Most private non-profit organizations, faith-based organizations, and houses of worship
- Sole Proprietors and Independent Contractors
- Owners of rental property

SBA's Economic Injury Disaster Loan Terms

How much can I borrow?

- Eligible entities may qualify for loans up to \$2 million**

The interest rates and term for this disaster loan are:

- 3.75% for small businesses
- 2.75% for nonprofit organizations
- The loan term is 30 years and there is no penalty for pre-payment

How can I use the loan funds?

- These EIDL (working capital) loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred
- These loans are not intended to replace lost sales or profits or for expansion

What is the collateral?

- There is no real estate collateral required
- A blanket UCC-1 will be filed against the business collateral for loans over \$25,000
- Personal guarantees are required for loans greater than \$200,000

Applicants can have an existing SBA Disaster Loan and still qualify for a COVID-related EIDL, but the loans cannot be consolidated

How to Apply for EIDL



Applicants apply online via SBA's secure website at <https://covid19relief.sba.gov/#/>



Applicants without internet access should call SBA's Customer Service Center at 800-659-2955 (800-877-8339 for the deaf and hard-of-hearing)



Submit inquiries to disastercustomerservice@sba.gov

Correspondence can be mailed to:
U.S. Small Business Administration
Processing and Disbursement Center
14925 Kingsport Road, Fort Worth, TX 76155

Repeal of EIDL Advance Deduction

- SBA will no longer deduct EIDL Advances from forgiveness payments remitted to PPP lenders. This change will be applied to SBA forgiveness payments with a status of “Payment Confirmed” dated December 29, 2020 or later.
- For those loans where SBA remitted a forgiveness payment to a PPP lender that was reduced by an EIDL Advance, SBA will automatically remit a reconciliation payment to the PPP lender for the previously-deducted EIDL Advance amount, plus interest through the remittance date.
- The PPP lender is responsible for notifying the borrower of the reconciliation payment.
- The PPP lender is also responsible for re-amortizing the loan and notifying the borrower of the amount of the next payment due or advising the borrower that the loan has been paid in full, whichever is applicable.
- If the amount remitted by SBA to the PPP lender exceeds the remaining principal balance of the PPP loan (because the borrower made a payment on the loan), the PPP lender must remit the excess amount, including accrued interest paid by the borrower, to the borrower.

Paycheck Protection Program First Draw Updates



U.S. Small Business
Administration

PPP Rollout

To ensure increased access to PPP for minority, underserved, veteran, and women-owned business concerns:

- Initial launch of PPP will accept loan applications from Community Financial Institutions such as
 - Community Development Financial Institutions
 - Minority Deposit Institutions
 - Certified Development Companies
 - SBA Microlenders
- SBA [Lender Match](#) will direct borrower inquiries to these mission-based lenders
- The PPP is open to all participating lenders now

How and When to Apply for PPP

- Borrowers can apply for a PPP Loan until March 31, 2021
- PPP participating lenders may include existing SBA 7(a) lenders, federally insured depository institutions (FDICs), federally insured credit unions (FICUs), eligible non-bank lenders, or Farm Credit System institutions
- A list of participating lenders, additional information, and full terms can be found [HERE](#)

PPP LOAN ELIGIBILITY

- Small businesses, together with their affiliates (if applicable) that have 500 or fewer employees, including
 - Sole proprietorships, independent contractors, and self-employed persons, 501-C(3) and 501- C(19) organizations
 - News organizations
- PPP Second Draw eligibility changes to 300 employees
- Housing Cooperatives, 501-C (6) organizations, and marketing destination organizations with no more than 300 employees
- Entities with no more than 500 employees in the Accommodation and Food Sector (NAICS 72)
 - PPP Second Draw eligibility changes to 300 employees
- Entities must comply with size standards, eligibility criteria, and certain limitations
- PPP First Draw application is [SBA Form 2483](#)

PPP ELIGIBLE COVERED LOAN EXPENSES

- Payroll costs, including benefits – At least 60% of the funds must cover this expense
- Mortgage interest
- Rent
- Utilities
- Expanded New Expenses:
 - Worker Protection Costs related to COVID-19
 - Uninsured Property Damage Costs caused by looting or vandalism during 2020
 - Certain Supplier Costs and Operations Expenditures
- Borrower can select a Covered Period anytime between 8 and 24 weeks after disbursement

Paycheck Protection Program Second Draw Updates



U.S. Small Business
Administration

PPP SECOND DRAW ELIGIBILITY

- Eligible borrowers who previously received a PPP First Draw may apply for a Second Draw
 - Maximum Second Draw is \$2 Million
 - Loan Terms are the same as PPP First Draw
- Has expended or will expend the proceeds of the full PPP First Draw for eligible expenses before the PPP Second Draw is disbursed
- 300 or less employees
- Incurred a documentable reduction of at least a 25% in gross receipts between comparable quarters in 2019 and 2020
- PPP Second Draw application is [SBA Form 2483-SD](#)

PPP SECOND DRAW LOAN AMOUNT CALCULATION

- 2.5 times Average Monthly 2019 or 2020 payroll costs
- For borrowers in Accommodation and Food Services (click [HERE](#) to find if your code is NAICS 72) it is 3.5 times Average Monthly 2019 or 2020 payroll costs

Paycheck Protection Program Forgiveness Updates



U.S. Small Business
Administration

PPP FORGIVENESS

- EIDL Advances will not be deducted from PPP forgiveness
- Loan Proceeds are spent on payroll costs and eligible expenses
- At least 60% of the proceeds are spent on payroll costs
- Employee and compensation levels are maintained
- SBA is developing a simplified forgiveness application for loans under \$150,000

PPP LOAN TERMS

- Maximum loan amount is \$10 million (PPP First Draw) or \$2 million (PPP Second Draw)
- Interest rate is 1%
- First payment deferred
 - to the date that SBA remits the forgiveness amount to the borrower's lender
 - OR, 10 months after the end of the borrower's loan forgiveness covered period if the borrower does not apply for loan forgiveness
- Loan maturity is 5 years
- No collateral requirements
- No personal guarantees required
- No borrower or lender fees payable to SBA
- Program available through March 31, 2021

Paycheck Protection Program Shuttered Venue Operators Grant (SVOG)



U.S. Small Business
Administration

SVOG ELIGIBILITY

- **SBA is not yet accepting SVOG Applications**
- Allows for up to \$15 billion in grants to applicants who meet the eligibility requirements and have been affected by the COVID pandemic
- Administered by the SBA's Office of Disaster Assistance
- Eligible Applicants
 - May qualify for grants equal to **45% of gross earned revenue**
 - Maximum single grant award: \$10 million
- At least \$2 billion of the total program reserved for eligible, small operators with **up to** 50 full-time employees

ELIGIBLE APPLICANTS MAY INCLUDE

Theatrical producers

Museum operators, zoos
and aquariums who meet
specific criteria

Motion picture theater
operators

Live performing arts
organization operators

Live venue operators or
promoters

Talent representatives

Any subsidiaries of these organizations that also meets the eligibility requirements.



SVOG REQUIREMENTS

- Applicant must have been in operation as of **Feb. 29, 2020**
- **Must not have received** a PPP loan on or after Dec. 27, 2020
- You are **not** prohibited from applying for an SVOG if:
 - You already have a COVID-19 EIDL loan or plan to apply for one
 - You received a First Draw PPP **prior to Dec. 27, 2020**

DECIDING BETWEEN SVOG AND PPP

PPP: used primarily to cover payroll costs for employees rather than independent contractors; is a *forgivable loan* if certain standards & eligibility requirements are met.

SVOG: prove eligibility requirements are met; allows for broader use of funds; does not need to be repaid.

COVID EIDL: a loan; used primarily to cover working capital had the pandemic not occurred.

Applying for PPP **after Dec 27, 2020** or the SVO Grant does not have any impact on your COVID EIDL eligibility.

CALCULATING SVOG FUNDS

- Depends on when the organization was in operation
- If in operation on **1/1/2019**:
 - The lesser of an amount equal to 45% of 2019 gross earned revenue OR \$10 million
- If in operation **after 1/1/2019**:
 - The lesser of the average monthly gross revenue for each full month you were in operation during 2019 multiplied by 6 OR \$10 Million.

HOW TO APPLY

The SBA is in the process of setting up the grant program and is **not yet accepting applications**. Small businesses who have suffered the greatest economic loss will be the first applications processed under the following schedule:

Open only to small entities with up to 50 employees.

First Priority <i>1st 14 days of grant awards</i>	Entities that suffered a 90% or greater revenue loss between April 2020 through December 2020 due to the COVID-19 pandemic.
Second Priority <i>Next 14 days of grant awards</i>	Entities that suffered a 70% or greater revenue loss between April 2020 through December 2020 due to the COVID-19 pandemic.
Third Priority <i>Beginning 28 days after First & Second Priority Awards are made</i>	Entities that suffered a 25% or greater revenue loss between April 2020 through December 2020 due to the COVID-19 pandemic.
Supplemental Funding <i>Available after First & Second Priority</i>	Recipients of First and Second Priority round who suffered a 70% or greater revenue loss for the most recent calendar quarter (as of 04-01-21 or later)

Unrestricted; open to entities of any size:

Unrestricted, non-priority round <i>Begins 61 days after initial grant awards</i>	Eligible entities of any size that suffered a 25% or greater revenue loss
---	---

ALLOWABLE USE OF FUNDS

Funds may be used for specific expenses, which include:

- Payroll costs
- Rent payments
- Utility payments
- Scheduled mortgage payments (*not including prepayment of principal*)
- Scheduled debt payments (*not including prepayment of principal*) on any indebtedness incurred in the ordinary course of business prior to 02-15-20)
- Worker protection expenditures
- Payments to independent contractors (*not to exceed \$100K in annual compensation per contractor*)
- Other ordinary and necessary business expenses, including maintenance costs
- Administrative costs (*incl. fees and licensing*)
- State and local taxes and fees
- Operating leases in effect as of 02-15-20
- Insurance payments
- Advertising, production transportation, and capital expenditures related to producing a theatrical or live performing arts production. (*May not be primary use of funds.*)

GRANT AWARD, CONTINUED

- Grantees may **not** use award funds to:
 - Buy real estate
 - Make payments on loans originated after 02-15-20
 - Make investments or loans
 - Make contributions or other payments to, or on behalf of, political parties, political committees, or candidates for election
 - Any other use prohibited by the Administrator
- Grantee Recordkeeping
 - Grantees will be required to maintain documentation demonstrating their compliance with the eligibility and other requirements of the SVO Grant program.
 - They must retain employment records for four years following their receipt of a grant and retain all other records for three years.
- Application and additional guidelines will be posted when available
- For additional information, email SVOGrant@sba.gov. All emails regarding SVO Grants will be sent using an official government email address ending in @sba.gov.

THANK YOU FOR YOUR TIME

For more information on SBA's emergency capital programs visit www.sba.gov/coronavirusrelief.

Sign up for SBA's emails at www.sba.gov/updates and follow us on Twitter at [@SBA_EasternPA](https://twitter.com/SBA_EasternPA)

Subscribe to SBA
email updates





U.S. Small Business
Administration