

Small Business Administration (SBA) Loans for the Pandemic

The Small Business Administration has two separate programs that apply to small businesses affected by the COVID-19 pandemic.

- Economic Injury Disaster Loans (EIDL) are available immediately by applying directly to the SBA.
- Paycheck Protection Program (PPP) loans will be available in the coming weeks as part of the CARES Act, the \$2 trillion stimulus package from the federal government.

Both loans can be used to keep your business open and your employees on payroll, but there are important differences between them, including how you apply. Those differences are explained in detail below. Your Pinnacle financial advisor can also walk you through them, answer any questions and help you get ready to apply.

Though the PPP loans won't be available until possibly late April, you **can** apply for an EIDL loan immediately to cover the expenses you have now. Then, when the PPP loans are online, you will be able to refinance and convert your EIDL loan **into** a PPP loan.

Regardless, the best advice is to get started gathering your information and filling out paperwork now. No matter which loan you want to apply for—or if you want to apply for both—we can help you take action now, re-evaluate if necessary and help you pivot when the time comes.

Available Now: Economic Injury Disaster Loans (EIDL)

The SBA is offering federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the coronavirus. These are available now, and all states in the Pinnacle footprint are eligible for these loans related to the pandemic.

These loans come directly from the SBA, and applications will be made through the SBA, not Pinnacle. Still, your Pinnacle financial advisor can answer your questions, help you gather the required materials and help determine how this fits into your overall needs.

Details & Terms

- Available to small businesses, small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations
- Loans up to \$2 million
- Can be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact
- Interest rate for businesses without credit available elsewhere: 4% APR
- Interest rate for nonprofit organizations: 2.75% APR
- Long-term repayments, up to 30 years for some borrowers
- Other terms determined on a case-by-case basis

Criteria for Approval

- Credit History – Applicant must have a credit history acceptable to SBA.
- Repayment – SBA must determine that the applicant business has the ability to repay the SBA loan.
- Collateral
- Loans over \$25,000 require collateral; below \$25,000 do not
- Loans will not be declined because of a lack of collateral but will require borrowers to pledge what is available
- SBA takes real estate collateral when possible

Eligibility

- Size (must be a small business), type of business and financial resources requirements
- Must have suffered working capital losses due to the declared disaster, not due to an unrelated downturn in the economy or other reasons

How to Apply

The EIDL program comes directly through the SBA. Application can be made online at <https://disasterloan.sba.gov/ela>.

Filing electronically is easier, faster and more accurate. However, the volume of applications is overwhelming, and the online experience is slow and becoming more unreliable. If you have trouble applying online, you can print a paper application and required forms from the link above and overnight them to the SBA office in Ft. Worth, TX. The address is also at the link above. They can also be faxed to 202-481-1505 or scanned and sent by email to ELA.doc@SBA.gov.

Coming Soon

The federal CARES Act expands eligibility for businesses and nonprofits suffering economic harm due to the pandemic to access SBA's Economic Injury Disaster Loans (EIDL), while also giving SBA more flexibility to process and disperse small dollar loans.

The bill also allows businesses that apply for an EIDL expedited access to capital through an Emergency Grant—an advance of \$10,000 within three days to maintain payroll, provide paid sick leave and to service other debt obligations.

Available Soon: Paycheck Protection Program (PPP)

The federal CARES Act is a \$2 trillion economic stimulus package that includes \$350 billion in SBA 7(a) and SBA Express loans designated to keep workers employed and small businesses from going under. As long as employers maintain their payroll, the portions of the loan used for payroll costs, mortgage interest and utilities would be forgiven. The program is retroactive to February 15, 2020, allowing companies to rehire workers who have already been laid off and pay them for the time they missed.

We expect this to be available in late April or early May as the SBA gets the details and application capabilities online. Once again, if you have immediate needs, you can apply for and receive the Economic Injury Disaster Loan and then refinance it into a PPP loan when it becomes available.

Applications for PPP loans will be made through SBA authorized banks like Pinnacle Financial Partners. We are an SBA preferred lender and therefore will be able to streamline the application process and review and approve loans more quickly.

Details & Terms

- Available to small businesses, sole proprietors, independent contractors, small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations
- Must have 500 employees or fewer or meet current SBA size standards
- SBA 7(a) loans up to \$10 million or 250% of an employer's average monthly payroll costs
- SBA Express loan limits increased from \$350,000 to \$1 million
- Can be used for employee salaries, mortgage payments, rent (including rent under a lease agreement), utilities and any other debt obligations that were incurred before the covered period
- Covered payroll costs include:
 - Salary, wages and payment of cash tips (up to an annual salary of \$100,000)
 - Employee group healthcare benefits, including insurance premiums, retirement contributions and covered leave
 - Vacation, parental, family, medical, or sick leave
 - Allowance for dismissal or separation
 - Payment of state or local tax assessed on the compensation of employees
- If employers maintain payroll, the portions of the loan used for up to eight weeks worth of payroll costs, mortgage interest, rent and utilities would be forgiven. Forgiveness amounts are reduced for decreases in monthly average headcount and salary/wage reductions.
- The remaining loan balance will have a maturity of not more than 10 years, and the guarantee for that portion of the loan will remain intact.
- The program is retroactive to February 15, 2020, allowing companies to bring back workers who have already been laid off and pay them for the time they missed.
- Fee waivers are available.
- Payments are automatically deferred for one year, with no prepayment penalties

Eligibility

- Small business, 501(c)(3) nonprofit, a 501(c)(19) veteran's organization or Tribal business concern described in section 31(b)(2)(C) of the [Small Business Act](#) with not more than 500 employees, or the applicable size standard for the industry as provided by SBA, if higher. Also:
 - Includes sole-proprietors, independent contractors and other self-employed individuals
 - Allows businesses with more than one physical location that employs no more than 500 employees per physical location in the lodging and good service industries to be eligible and is below a gross annual receipts threshold in certain industries to be eligible
 - Waives affiliation rules for businesses in the hospitality and restaurant industries, franchises that are approved on the [SBA's Franchise Directory](#)
 - Waives the SBA's Credit Elsewhere test
- Repayment ability is not a factor in approval. Instead, banks will determine if the business was open on February 15, 2020, and had employees or independent contractors on payroll.

How to Apply

Your Pinnacle financial advisor can help you apply for the PPP loan. Much of the required paperwork and documentation will be similar to what is required for the EIDL program. Take a look at those requirements at <https://disasterloan.sba.gov/apply-for-disaster-loan/index.html>.

Also Available from SBA

The CARES Act includes additional help through the SBA, including:

- SBA will pay all principal, interest and fees on existing SBA loan products, including 7(a), Community Advantage, 504, and Microloan programs for six months.
 - Applies to small businesses negatively affected by the pandemic
- \$265 million for grants to SBA resource partners, including Small Business Development Centers and Women's Business Centers, to offer counseling, training and related assistance to small businesses affected by the pandemic
- \$10 million for the Minority Business Development Agency to provide these services through Minority Business Centers and Minority Chambers of Commerce