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AMERICA'S SBDC MARYLAND

Last Updated: Friday, March 27, 2020

COVID-19 Emergency Relief Funds
Updates on New and Existing Resources for Small Businesses

SBA — Maryland's Small Business Development Center is powered in part by a cooperative agreement with the US Small Business Administration.

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Housekeeping & Webinar Basics

QUESTIONS

SBDC staff are on the call and ready to help with your questions. Please be sure to listen for answers to other questions that may also answer your own question.

AUDIO DIFFICULTY

If you are having trouble hearing the webinar, there may be a connection issue on your end. Please try reconnecting to the webinar via phone or computer.

PHONE DIAL-IN: +1 (213) 929-4212
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FOLLOW-UP

We will send out all webinar slides, links, and contact information to all attendees!

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An Important Reminder

The most important reminder we can give is that relief funding and emergency resources should be considered **supplemental** - this is a difficult time for all of us, and we must each use **ALL** resources at our disposal to weather the storm.

Some options that do not require an application include:

- Speaking with creditors to negotiate deferral/abatement/waiver of fees/payments

- Contacting your business insurance provider to discuss business interruption coverage

Once you've exercised these options, it's time to start looking at relief funding.

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Existing Relief Funding Resources

Here is a list of some of the existing relief funding resources that we've already discussed in detail:

State of Maryland COVID-19 Emergency Relief Grant Fund (Commerce)
State of Maryland COVID-19 Emergency Relief Loan Fund (Commerce)

Small Business Administration Economic Injury Disaster Relief Loans (SBA)

To view the recorded session of our webinars discussing these topics, please visit:

https://www.gotostage.com/channel/maryland-sbdc

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Updates & New Programs

This webinar will provide information regarding new relief programs including:

SBA Paycheck Protection Program (PPP)
State of Maryland COVID-19 Emergency Relief Manufacturing Fund

As well as updates to existing programs, including:

- Changes to the SBA Economic Injury Disaster Assistance Loan (EIDL) application process

- Emergency Economic Injury Grants

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SBA Paycheck Protection Program (PPP)

WHERE DO I GO TO APPLY?

Directly to your SBA approved bank (link: **Maryland Lender List**)

ELIGIBILITY

- Business in operation prior to February 15, 2020
- Business has/had employees or 1099 contractors (full- or part-time)
- Self-employed individuals and sole proprietors ARE eligible
- Non-profit organizations ARE eligible
- Business must employ <u>fewer</u> than 500 employees (per physical location)

How Do I Apply

Applications will be available for...

- Small Business Owners and Sole Proprietors on April 3, 2020
- Independent Contractors and Self-Employed Individuals on April 10, 2020

It is recommended to apply as quickly as possible - this program DOES have a funding cap. All applications must be processed no later than June 30, 2020

LOAN APPLICATION

The application to apply for a PPP loan is available here. This application should be submitted with all required documentation to your SBA authorized lender.

PPP Loan Terms

MAXIMUM LOAN AMOUNT

To figure out how much you can apply for take the following two numbers and add them together:

- The average monthly payroll cost for your business multiplied by 2.5
  - Payroll Costs are defined on the next slide
  - Take the sum of these costs for each month, add them together, divide by twelve (or the total number of months, if in business for less than one year)
- The total amount of any EIDL loan received after January 31, 2020

Maximum Loan Cap: $10 million

PPP Loan Terms

INTEREST RATE

Paycheck Protection Program loans will be offered at 0.5%

DEFERRED PAYMENTS

All PPP loan payments are deferred for six months from the loan start date (includes principal, interest, and fees)

LENGTH OF LOAN

The maximum term for a PPP loan is 2 years

There are no origination fees or prepayment penalties for PPP loans.

What does "payroll costs" cover?

- Salary, wage, commission, or similar compensation;
- Payment of cash tip or equivalent;
- Payment for vacation, parental, family, medical or sick leave;
- Allowance for dismissal or separation;
- Payment required for the provision of group health care benefits, including insurance premiums;
- Payment of any retirement benefits; or
- Payment of state or local tax assessed on the compensation of employees;
- The sum of payments of any compensation to or income of a sole proprietor or independent
- Contractor that is a wage, commission, income, net earnings from self employment, or similar
- Compensation and that is in an amount not exceeding more than $100,000 in 1 year, as prorated for the period beginning on February 15, 2020 and ending on June 30, 2020.

What does "payroll costs" exclude?

- Compensation of an individual employee in excess of an annual salary of $100,000 as prorated for the period beginning on February 15, 2020 and ending on June 30, 2020
- Taxes imposed or withheld under FICA (Social Security and Medicare), Railroad Retirement Act, and IRC Chapter 24 (income tax at source)
- Any compensation of an employee whose principal place of residence is outside the United States
- Qualified sick leave or family leave wages for which a credit is allowed under the Families First Coronavirus Response Act

How can I use the funds from the PPP?

Loan proceeds can be used for the following costs incurred between February 15 and June 30, 2020

- Payroll costs
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commission, or similar compensations
- Payments of interest on any mortgage obligation (excludes prepayment)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligation that were incurred before the period

Good Faith Certification

In order to expedite the PPP loan approval process, applicants must make the following agreements "in good faith"...

- The loan is necessary due to economic uncertainty caused by COVID-19
- Loan funds will be used to retain workers and maintain payroll and/or to make mortgage, rent, and utility payments owed by the business (excludes personal rent/mortgage/utility payments)
- Loan applicants may not have an application pending for another PPP loan through a different lender for the same purpose
- Loan applicants may not have received a PPP loan through a different lender for the same purpose

Default & Collections

PPP Loans are...

- **Nonrecourse Loans**
  - The loan provider has no recourse against any borrower or eligible recipient for a PPP loan **unless** the loan funds are used for an unauthorized purpose
- **No Guarantee**
  - PPP loans **do not** require a personal guarantee or collateral
- **No Fees**
  - Loan providers may not charge fees for any PPP loans issued between February 15 and June 30, 2020

PPP Loan Forgiveness

Partial forgiveness is available for all PPP loans equal to...

- The sum of costs incurred and payments made during the eight (8) weeks starting on the loan origination date, to include:
  - Payroll Costs (as previously defined)
  - Payment of interest on BUSINESS mortgage established before February 15, 2020
  - Payment of rent on any BUSINESS lease agreement made before February 15, 2020
  - Payment of utilities on any electricity, gas, water, transportation, telephone, or internet for which BUSINESS service began prior to February 15, 2020

Loan Forgiveness - Required Documentation

Borrowers must provide the following documentation to the Lender...

- Verification of full-time or full-time equivalent employees on payroll and pay rates, including payroll tax filings reported to the IRS **and** income, payroll, and unemployment insurance filings reported to the State
- Verification of eligible costs incurred and payments made, including cancelled checks, payment receipts, account statements, or other documentation verifying payments on business mortgages, rent agreements, and utilities
- Certification (signature) from an authorized representative of the borrower stating that the documents true and correct, and stating that funds were used for eligible purposes
- Any other documentation required by the lender as needed

Loan Forgiveness Timeframe

DECISION TIMEFRAME

Borrowers will receive a decision from the lender regarding loan forgiveness within 60 days after the loan forgiveness application is received

NON-TAXABLE INCOME

The amount of the loan forgiveness is considered a non-taxable grant.

Loan Forgiveness Reductions

Loan forgiveness amounts may be reduced if...

- The number of verified full-time or full-time equivalent employees during the loan period is **less** than the average number of full-time or full-time equivalent employees for either the period of February 15 - June 30, 2019 or January 1 - February 29, 2020
- Salary or wages for eligible full-time or full-time equivalent employees are reduced by 25% or more
  - Only applies to employees earning a salary of up to $100,000 in the equivalent period in 2019
- Special rules for tipped workers and rehires in a certain time period

Debt Relief for Small Business Owners

In addition to the launch of the Payroll Protection Program, the CARES Act (passed in Congress and signed into law on 3/27/20) authorized a debt relief program for businesses that have an existing SBA-guaranteed or SBA-backed loan, or that take out a new SBA-guaranteed loan including...

- SBA 7(a)-guaranteed loans
- SBA 504 loans
- SBA microloans

NOTE: Loans taken out under the Payroll Protection Program or Economic Injury Disaster Relief Program are NOT eligible for this form of debt relief.

Debt Relief Program Details

The Small Business Debt Relief Program created by the CARES Act will provide debt relief for small business owners that hold an existing SBA 7(a), 504, or microloan.

HOW IT WORKS

The US Small Business Administration will make all payments on loans of these types for a period of six (6) months, including principal, interest, and fees. This relief is also available to **new borrowers** who take out a loan of this type within six months of the CARES Act becoming law.

IMPORTANT NOTE

Application for this loan does NOT exclude application for financing through the Payroll Protection Program.

SBA EIDL Loans - Application Process Updates

On Friday, March 26, the Small Business Administration relaunched its Disaster Loan website with some important process changes.

Applicants are no longer required to register or create a login, and should now...

- Visit the Disaster Loan website and click "apply for assistance now"
- Complete the streamlined application form
- Be sure to check the box for the $10,000 Emergency Economic Injury Grant (next slide for more details) if you wish to receive a $10,000 **forgivable** advance on your EIDL proceeds
- Submit the completed application

Emergency Economic Injury Grants

HOW IT WORKS

Small businesses that apply for an Economic Injury Disaster Loan (EIDL) are eligible to receive a $10,000 grant/advance toward the proceeds of their EIDL. To access the advance, businesses must apply for the EIDL **first** and then request the advance.

IMPORTANT NOTE

If you have already applied for an Economic Injury Disaster Loan (prior to March 30, 2020), in order to request the $10,000 grant/advance on your loan proceeds you MUST reapply for the EIDL using the NEW streamlined loan application process on the SBA Disaster Loan website and indicate that you want to receive the advance funds.

Emergency Economic Injury Grants

PPP Loan Forgiveness + EEI Grant Information

If you receive a Payroll Protection Program loan and/or refinance an EIDL into a PPP loan, the amount of the Emergency Economic Injury Grant received will be deducted from the amount forgiven under the terms of the PPP loan.

Also, EIDL funds and PPP funds <u>cannot</u> be used for the same purpose. For example, you cannot cover April payroll with **both** an EIDL and PPP loan.

New Maryland COVID-19 Emergency Relief Fund

The Maryland Department of Commerce announced on Friday, March 27 that they are launching the COVID-19 Emergency Relief Manufacturers Fund

The purpose of this incentive fund is to encourage qualified manufacturers to produce personal protective equipment (PPE) to compensate for supply shortfalls impacting the safety of healthcare workers and hospitals nationwide

Full details can be found at the Maryland Department of Commerce's COVID-19 Relief Fund website.

Questions and Additional Resources

COVID-19 - Small Business Survival Guide

Maryland Department of Commerce COVID-19 Resources

Live Updates from the Governor's Office

SBDC Contact Information

Steven Colella (Presenter)
Business Consultant, Carroll County
scolella@harford.edu
443-356-2818

Maryland SBDC - Northern Region
Harford Community College
Main Line: 443-412-2237
Northern Region Staff Contacts

Maryland SBDC - Western Region
Frostburg State University
Main Line: 888-237-9007
Western Region Staff Contacts

Maryland SBDC - Eastern Region
Salisbury University
Main Line: 410-548-4419
Eastern Region Staff Contacts

Maryland SBDC - Southern Region
College of Southern Maryland
Main Line: 301-934-7583
Southern Region Staff Contacts

Maryland SBDC - Corridor Region
University of Maryland
Main Line: 301-403-8300
Corridor Region Staff Contacts