

How to Apply for Small Business Assistance

The Small Business Administration offers several programs through the recently passed CARES Act for businesses to access capital. Primary among these are the Paycheck Protection Program, the Economic Injury Disaster Loans and the Small Business Debt Relief Program.



Paycheck Protection Program (PPP)

The Paycheck Protection Program is a forgivable loan available for businesses, nonprofits, veteran's organizations and tribal businesses with less than 500 employees, sole proprietorships and independent contractors. The loan is based on:

- The average of monthly payroll costs multiplied by 250%
 - » For one year prior to the loan for companies in business in 2019
 - » OR for January and February 2020 for companies not in business in 2019
 - » OR from February 15, 2019 to June 30, 2019, for seasonal employers
- Payroll costs include compensation (salary, wage, commission), payment for vacation or sick leave, health insurance and retirement costs; however, salaries in excess of \$100,000 are excluded from the calculation
- A company that received an Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020 can refinance that loan, less any advance, into their Paycheck Protection Loan amount

Each loan is a maximum of \$10 million. The amount spent on eligible expenses within eight weeks of issuance is not required to be paid back and does not count as income to the business for tax liability purposes, however borrowers must apply for forgiveness on these expenses. Eligible expenses include:

- Payroll costs (no employee may receive more than \$100,000 annually through the program)
- Up to 25% of the loan amount on mortgage interest or rent on a building or property and utilities

Borrowers must apply for forgiveness via an application to the lender with applicable information including proof of the following:

- Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the eight-week period
- Documentation (including cancelled checks, payment receipts or other documentation) verifying payments of covered mortgage obligations, covered lease obligations and covered utility payments
- A certification from a company representative that the documentation is true and correct and the amount for requested forgiveness was used to retain employees and make covered payments (mortgage interest, rent and utilities)

Employers must maintain pre-crisis headcount or rehire by June 30, 2020 and reduce no more than 25%. If these conditions are not met the amount forgiven will be reduced proportionally. Any amount not forgiven is converted to a two-year loan, with up to a 1% interest rate. The program also allows payment deferrals of six months.

Borrowers do not need to demonstrate economic hardship but certify in good faith that their business has been affected by the current economic crisis. Companies will apply through banks certified in SBA 7(a) lending and must submit a Paycheck Protection Program Application form ([SBA Form 2483](#)) and recent tax documents. It is recommended that companies contact their own bank first when applying for the Paycheck Protection Program.



Economic Injury Disaster Loans

Economic Injury Disaster Loans (EIDL) offer up to \$2 million in assistance with a 3.75% interest rate for small businesses and 2.75% for non-profits for up to 30 years. Loans are available for fixed debt, payroll, accounts payable and other expenses that cannot be paid due to the disaster. Small businesses can apply for an advance of \$10,000 on their EIDL that will be made available within three days of applying; these funds do not need to be repaid.

To apply online, companies should visit <https://covid19relief.sba.gov/#/>. The website will walk business owners through the information needed for the application. Companies must self-certify their eligibility by certifying that the business meets the requirements and is not engaged in activities that would disqualify them. Applicants will need to provide information about the business including gross revenue and cost of goods sold for the 12 months prior to January 31, 2020. They will also need to provide information related to the owners of the company such as percent of business ownership, address, place of birth and citizenship status. Finally, the application will ask about criminal history and previous dealings with the federal government, and contact information for anyone who assisted in filling out the application.



Small Business Debt Relief Program

The Small Business Debt Relief Program provides relief to small businesses with non-disaster SBA loans, including 7(a), 504 and microloans. The SBA will cover loan payments for these loans for six months including principal, interest and fees. The program is also available to new borrowers who take out loans within six months of the bill being signed. 7(a) loans under the Paycheck Protection Act are not eligible.

- 7(a) loans are available for up to a maximum of \$2 million with the SBA guaranteeing up to 75%. Loans are for 25 years for real estate and equipment and 7 years for working capital. The loan is administered through a certified SBA lender. SBA does not directly loan the money but acts as a co-signer.
- 504 loans provide small businesses with long-term, fixed-rate financing to acquire fixed assets. Loans are available through Certified Development Companies for up to \$5.5 million. Typically the borrower contributes 10% of the project cost.
- Microloans provide loans of up to \$50,000 for small businesses. The loans can be used for working capital, inventory, furniture or fixtures and machinery and equipment. Loans are administered through community-based organizations



SBA Approved Lenders Located in Arizona:

<https://www.azcommerce.com/media/1544424/lender-master-record-2020.pdf>