Business Crisis Toolkit:

The Basics of the SBA’s Disaster Loan Products

“Luck is what happens when preparation meets opportunity.”

-Seneca  Roman philosopher (5 BC-65 AD)
Jason Nitschke; MA, EDFP
Vice President/Regional Director - Great Falls SBDC

Education
• 1997 -- University of Montana – BA Journalism/Pol. Sci.
• 2002 -- Hawaii Pacific University – MA Communications

Certifications
• 2017 – Certified Export Counselor
• 2017 – Certified Profit Mastery Facilitator
• 2015 -- Economic Development Finance Prof. (EDFP)
• 2015 -- Accredited Small Business Consultant (ASBC)
• 2015 -- Certified Business Advisor (GrowthWheel)

Entrepreneurship
• 2000-2002 -- JNitschke Photography; Denver, CO
• 2011-2012 -- Carondelet Estate Services, LLC; St. Louis, MO

Bureaucracy
• 2013-2014 – Analyst, State of Illinois
Agenda

Paycheck Protection Program
This loan program provides loan forgiveness for retaining employees by temporarily expanding the traditional SBA 7(a) loan program.
Learn more

EIDL Loan Advance
This loan advance will provide up to $10,000 of economic relief to businesses that are currently experiencing temporary difficulties.
Learn more

SBA Express Bridge Loans
Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to $25,000 quickly.
Learn more

SBA Debt Relief
The SBA is providing a financial reprieve to small businesses during the COVID-19 pandemic.
Learn more
Disaster assistance

The SBA provides low-interest disaster loans to help businesses and homeowners recover from declared disasters.

APPLY FOR ASSISTANCE
Appropriations Notices:

As of 4/15/2020

Economic Injury Disaster Loan Emergency Advance

Notice: Lapse in Appropriations

As of 4/16/2020

Notice: Lapse in Appropriations

The SBA is currently unable to accept new applications for the Paycheck Protection Program based on available appropriations funding.
The Top Line Takeaways

Pivot
Communicate Honestly
Preserve Cash

Market
Market
Operations

Remember: *Every Decision Made Impacts Financials*
Overview: Economic Injury Disaster Loan (EIDL)

Who is Eligible to Apply

- Any small business concern that meets SBA's size standards (either the industry based sized standard or the alternative size standard)
- Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, or Tribal business concern (sec. 31(b)(2)(C) of the Small Business Act) with the greater of:
  - 500 employees,
  - That meets the SBA industry size standard if more than 500
- Any business with a NAICS Code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location
- Sole proprietors, independent contractors, and self-employed persons
Who is Eligible to Apply for the PPP?

- Any for-profit, 501(c)(3) non-profit organization, 501(c)(19) veterans organizations, faith-based organizations, tribal business concerns
- Meet size standards
- In operations on or before 02/15/2020
- Sole Proprietors, independent contractors, and self-employed persons
- Some restrictions for operations with gaming revenue have been lessened
How to Apply:

• SBA Participating Lender
  • https://www.sba.gov/paycheckprotection/find
• Provide Proof of Payroll Costs
  • https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp
# Paycheck Protection Program (PPP) – based on IFR dated 4/15/2020 & FAQs as of 4/16/2020

| USES OF FUNDS                  | 75% - Payroll, most officer compensation, payroll expenses  
<table>
<thead>
<tr>
<th></th>
<th>25% - Mortgage interest, rent/lease, utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>TERMS</td>
<td>100% guaranty; Up to $10 million; 1% interest rate</td>
</tr>
<tr>
<td>FORGIVABLE</td>
<td>YES; “the full principal amount of the loans may qualify for loan forgiveness;” if applied to eligible uses within 8-weeks of first loan disbursement</td>
</tr>
<tr>
<td>MATURITY</td>
<td>2 years</td>
</tr>
<tr>
<td>FIRST PAYMENT DUE</td>
<td>Deferred 6 months</td>
</tr>
</tbody>
</table>
What are Eligible Uses of PPP?

- Compensation to employees and owners up to $100k in the form of:
  - Salary, wages, commissions, draws, or similar compensation (except K-1 distributions)
- Cash Tips (Based on the employer records of past tips or in the absence of such records)
- Vacation, parental, family, medical or sick leave, benefits, group health insurance premiums, retirement
- Allowance for separation or dismissal
- State and Local taxes assessed on compensation of employees
- Mortgage Interest (NOT Mortgage prepayments or principal payments)
- Interest Payments on any other debt obligation incurred before February 15, 2020
- Rent/Lease Payments
- Utility Payments
Will my Loan be Forgiven?

- Forgiven up to 100% of principal, if used for eligible costs
- At least 75% of the forgiven amount must be for payroll
- Forgiveness is based on the employer maintaining or quickly rehiring and maintaining salary levels
- Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease

--- A COUPLE FINAL NOTES ON PPP ---

- No collateral or personal guarantees are required
- Neither the government nor lenders will charge small businesses any fees
Economic Injury Disaster Loan (EIDL)

Who is Eligible to Apply?

- Any small business concern that meets SBA’s size standards (either the industry based sized standard or the alternative size standard)
- Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, or Tribal business concern
- That meets the SBA industry size standard if more than 500
- Sole proprietors, independent contractors, and self-employed persons
# Economic Injury Disaster Loan (EIDL)

<table>
<thead>
<tr>
<th><strong>USES OF FUNDS</strong></th>
<th>To meet financial obligations and operating expenses that could have been met had the disaster not occurred</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TERMS</strong></td>
<td>Up to $2 million – 3.75% for businesses; 2.75% for non-profits; advance up to $10,000 ($1000 per employee)</td>
</tr>
<tr>
<td><strong>FORGIVABLE</strong></td>
<td>NO – EIDL Loan</td>
</tr>
<tr>
<td></td>
<td>YES – EIDL Advance</td>
</tr>
<tr>
<td><strong>MATURITY</strong></td>
<td>30 years</td>
</tr>
<tr>
<td><strong>FIRST PAYMENT DUE</strong></td>
<td>Deferred 1 year</td>
</tr>
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How to Apply:

• Directly at SBA.gov
• https://www.sba.gov/page/disaster-loan-applications
FAQ: Can I Apply For PPP and EIDL?

<table>
<thead>
<tr>
<th>PAYCHECK PROTECTION PROGRAM (PPP)</th>
<th>ECONOMIC INJURY DISASTER LOAN (EIDL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USES:</td>
<td>working capital</td>
</tr>
<tr>
<td>no collateral required</td>
<td>no collateral on loans u/$25k</td>
</tr>
<tr>
<td>up 100% to 100% with approval</td>
<td>SBA will take best lien available</td>
</tr>
<tr>
<td>2.5X average monthly payroll for</td>
<td>(excluding real estate on loans u/$25k)</td>
</tr>
<tr>
<td>1% on unforgiven portion</td>
<td>is eligible for forgiveness of loan</td>
</tr>
<tr>
<td>2 year fixed note</td>
<td>up to $10k advance grant</td>
</tr>
<tr>
<td>no payments for first 6 months</td>
<td>up to 6 months of operating expenses</td>
</tr>
<tr>
<td>• all for-profits</td>
<td>not to exceed $2 million</td>
</tr>
<tr>
<td>• private non-profits</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>SBA APPROVED BANK</th>
<th>APPLY</th>
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<td>SBA.gov/Disaster</td>
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</table>

partially funded by the U.S. Small Business Administration (as updated by 05/2020)

SBDC

Your entrepreneurial spirit
SBA Express Bridge Loan

- Current relationship with an SBA Express Lender
- Access up to $25,000 quickly
- To help overcome the temporary loss of revenue
- Can be a term loan or used to bridge the gap while applying for a direct EIDL
- If a small business has an urgent need for cash while waiting for decision and disbursement on an EIDL
SBA Express Bridge Loan

**Terms**
- Up to $25,000 – “Fast turnaround”
- Maximum EBL loan term is 7 years
- Maximum Allowable Interest Rate: up to 6.5% over Prime
- Some fees may be charged
- Will be repaid in full or in part by proceeds from the EIDL loan
- Lenders are not required to take collateral

**Eligibility**
- All small businesses adversely impacted by COVID-19
- Credit Not Available Elsewhere
- Adverse Impact
- Within 6 months of eligibility period (March 13, 2020-September 13, 2020)
SBA Express Bridge Loan

Credit & Underwriting

- Streamlined underwriting process
- Credit Scores (business & personal for each guarantor)
- IRS Transcripts
- Existing Banking Relationship
- Character evaluation (incarcerated, parole, indictment)
- No delinquent federal debt or prior loss
Resources Available

Crisis Toolkit for Businesses
Hibernation Toolkit for Businesses
Business Resiliency Guide
Contact an Advisor

Crisis Toolkit for Businesses

Five Ways to Control the Things You Can
Managing your cash is always important, but during a crisis it's more than important – it's a necessity. In this section, we address:

1. Expenses
2. Debt
3. Rent
4. Vendor payment terms
5. Lines of credit
6. Cash flow

Five Alternatives to Bring in Cash
Now is a good time to evaluate additional revenue streams to generate cash. In this section, we address:

1. Existing company assets
2. Leveraging technology
3. Merchandise
4. Invoicing
5. Offering discounts

Five Marketing and Promotion Options
During these crazy times being transparent and speaking to your customers is as important as ever. In this section, we address:

1. Communicate strategy
2. Calls to action
3. Gift certificate offers
4. Pre-Payment for goods/services
5. Shifting focus to existing customers

GrowGreatFallsMontana.org
GFDA Business Stabilization and Recovery Loan

- Gap loan
- Mission focused: growth, diversification, and high wage jobs
- Starts with phone interview then short application
  - Financials/Tax Returns
  - Credit Score
  - Application
  - Work with Small Business Development Center Coach
- Terms
  - Four years at 4% interest
  - No payment for first 6 months then 6 months interest only
  - 1% origination rolled into amortization
  - 3-year amortization
  - No early payoff penalty

Call Jolene
406.750.4481
Resources Available

- U.S. Small Business Administration: https://www.sba.gov/
- Governor’s Coronavirus Task Force: https://covid19.mt.gov/
- America’s SBDC: https://americassbdc.org/coronavirus-information/
- MT Small Business Development Center Network: https://sbdc.mt.gov/
Contact Trusted Advisors

Banker
Accountant
Insurance
Lawyers
Business Advisors
Funded in part through a Cooperative Agreement with the U.S. Small Business Administration.

https://sbdc.mt.gov/

Regional Offices:

Billings Center: 406.254.6014
Bozeman Center: 406.994.5885
Butte Center: 406.533.6780
Great Falls Center: 406.750.0314
 Havre Center: 406.399.1557
Helena Center: 406.447.6376
Kalispell Center: 406.756.3836
Miles City Center: 406.874.8168
Missoula Center: 406.243.4770
Wolf Point Center: 406.853.2590
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www.instagram.com/greatfallsdevelopmentauthority
Please Share Ideas With Us

Email me at JNitschke@GrowGreatFalls.org