

The Three Step Process for COVID-19 Disaster Loans

The Small Business Administration (“SBA”) provides low-interest, long-term disaster loans to businesses. Here is how they work and what you will need to apply:

STEP 1: APPLY FOR THE LOAN

- As a small business with under 500 employees, you can apply for a maximum Economic Injury Disaster Loan (“EIDL”) of \$2 million.
- Apply online: disasterloan.sba.gov/ela

STEP 2: PROCESSING THE LOAN

- An SBA loan officer will determine your eligibility during processing, after reviewing any insurance or other recoveries. The SBA can make a loan while insurance recovery is pending.
- The SBA will review your credit and verify your losses.
- An SBA loan officer will work with you to provide all the necessary information needed to reach a loan determination. Typically, they try to arrive at a decision on your application within 2-3 weeks.
- However, you may apply for an advance of up to \$10,000 that will be paid out within three days of application. Even if your loan is denied, you will not need to repay the advance.
- An SBA loan officer will contact you to discuss the loan recommendation and next steps. You will also be advised in writing of all loan decisions.

STEP 3: DISBURSE THE FUNDS

- If approved, the SBA will prepare and send you the Loan Closing Documents for your signature.
- Once the signed copy is received, we expect an initial disbursement to be in less than a week.
- The SBA will assign a case manager to work with you to help you meet all loan conditions. They will also schedule subsequent disbursements until you receive the full loan amount.
- It is possible that your loan may be adjusted after closing due to your changing circumstances, such as increasing the loan for unexpected costs or reducing the loan due to additional insurance proceeds.

Required Documentation for Loan Application

You will need the following documentation to receive a loan from the SBA:

- Disaster Business Loan Application (SBA Form 5).
- Request for Transcript of Tax Return (IRS Form 4506-T).
- Complete copy of filed 2019 tax return, including all schedules. If 2019 has not been filed yet, then you will need to provide a year-end profit-and-loss statement and balance sheet.
- Personal Financial Statement (SBA Form 413).
- Schedule of Liabilities (SBA Form 2202).

You may need to have the following information available:

- Schedule of Accounts Receivable and Accounts Payable, including expenses such as rent/mortgage, insurance, payroll, and all liens or loans (whether conventional or SBA).
- Current year-to-date profit and-loss statement.
- Additional Filing Requirements (SBA Form 1368), which requires monthly sales figures.

Paycheck Protection Program

Under the Coronavirus Aid, Relief, and Economic Security Act “CARES Act,” Congress created a new program under the Small Business Administration (“SBA”) called the Paycheck Protection Program, or “PPP.” It provides small businesses with up to \$10 million in loans that can be forgiven in its entirety if the business keeps all of its employees on the payroll or brings back those who it let go. In other words, if used properly, it becomes free money. These loans are meant to cover payroll costs, and most mortgage interest, rent, and utility costs for the 8-week period after the loan is made

Applications may be filed beginning on April 3, 2020 for most businesses and on April 10 for the self-employed and independent contractors. You will need to provide a statement and documentation of the average total monthly payroll costs for your business over the last 12 months. Payroll costs include:

- Salaries, wages, and commissions paid to all employees;
- Cash tips;
- Payment of vacation, parental, family, medical, and sick leave;
- Severance allowances;
- Payment for group healthcare benefits, including insurance premiums;
- Payment for retirement benefits; and
- State and local payroll taxes.

For the loans to be forgiven, you will need to bring back any employees let go between February 15 and April 26 by June 30, 2020. You will also need to raise the salaries of any employees whose pay decreased during that time frame back to at least 75% of their previous salary by June 30 as well.

Unlike the EIDL, which requires applicants to go through the SBA, the PPP will require applicants to file through an approved lender. Fortunately, almost every bank will be approved to handle your application. **If you do not already have a bank that you work with regularly, we can connect you with an experienced lender.**

If you have questions or need help working through the application, please contact Jardim, Meisner & Susser, P.C. This is what we do. Let us help.

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