Topics of discussion

Stimulus package: Phase Three

- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loans (EIDL)
Overview

• $349 billion allocated for the program
• Loans are available up to $10 million with option to receive loan forgiveness if you maintain payroll
• If not forgiven, rate and term is 1%, fixed for 2 years
• Available to small businesses with 500 or fewer employees, sole proprietors, self-employed and individual contractors
  o Full-time, part-time or “other status”

Loan forgiveness features:
• Up to 8 weeks of payroll based on employee retention and salary levels
• Employee/owner compensation over $100,000 is not an eligible payroll expense
  o Can include first $100,000 in eligibility/forgiveness calculation
Paycheck Protection Program (PPP)

Eligible uses for forgiveness

**Eligible Costs for Payroll:**
- Compensation (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 group health benefits, including insurance premiums
- Retirement benefits
- State or local tax assessed on the compensation of employees

**Allowable Uses of Proceeds:**
- Payroll costs (see left)
- Payments of interest on any mortgage obligation (does not include prepayment or payment of principal)
- Rent (including rent under a lease agreement)
- Utilities
Payroll Protection Program (PPP)

How your loan will be calculated

- **If in business in 2019**: Your loan would be equal up to 2.5 months of your average payroll over the past year
- **If seasonal company**: You can calculate your average payroll from February 15, 2019 to June 30, 2019
- **If not in business in 2019**: The max loan is equal to 2.5 months of average payroll between January 1, 2020 and February 29, 2020
- If you get an advance under the EIDL program, **that amount is deducted from the forgivable portion of your PPP loan**.
Payroll Protection Program (PPP)

What if I already laid off my workers?

• Reductions in employment or wages that occur between February 15, 2020 and the end of April will not affect your loan forgiveness amount if by June 30 you have eliminated any reduction in employees or wages.

• Remember, the spirit of the legislation is to keep workers paid and employed.
Paycheck Protection Program (PPP)

Pros and Cons

+ Pros
  • Application form is short and easy to fill out
  • Applications will be accepted relatively soon
  • Loan payments will be deferred for 6 months
  • No collateral/personal guarantees required
  • No fees
  • Rates for unforgivable portion of the loan are low (1%)

- Cons
  • Businesses will have to maintain payroll or rehire to take advantage of the full forgiveness amount
  • The process for loan forgiveness if the business doesn't maintain payroll at 100% is hazy
  • Getting to the front of the line may prove challenging for businesses that don’t have current relationships w/SBA-approved lenders
Payroll Protection Program (PPP)

Application process

1. Check with your local bank

2. If no local banking relationship, check SBA website to find approved lender:
   https://www.sba.gov/paycheckprotection/find

3. The law expands the institutions that can provide PPP loans. If you are unsure if a lender is authorized, check the SBA site above or your local district office

4. Check our website, where we will be updating lenders that are offering PPP to new clients

To learn more and access the sample application, visit Venturize.org/resources/covid-19resources.
Paycheck Protection Program

How much can I get?

Total payroll − Ineligible compensation = Payroll
Paycheck Protection Program (PPP)

How much can I get?

Gastos de compensación ÷ 12 = Promedio de compensación mensual
How much can I get?

Average payroll \times 2.5 = \text{Loan size}
Paycheck Protection Program (PPP)

Example, Vestidos de Sandra

Example:
15 employees | Average payroll $540,000 ($3k for each employee + benefits) | January 1 2019 through December 31, 2020

1. $540,000 - $20,000 = $520,000
2. $520,000 ÷ 12 = $43,333
3. $43,333 × 2.5 = $108,333
Sandra’s payment for the 8 weeks after the loan was approved:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan</td>
<td>$108,333</td>
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<tr>
<td>Total salary for 12 employees (8 weeks)</td>
<td>$72,000</td>
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<tr>
<td>Rent due - $3,500/mo</td>
<td>$7,000</td>
</tr>
<tr>
<td>Utilities (electricity, water, telephone, internet) - $1,500/mo</td>
<td>$3,000</td>
</tr>
<tr>
<td>Materials for clothes</td>
<td>$10,000</td>
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</table>
Sandra’s payment for the 8 weeks after the loan was approved:

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<td>$10,000</td>
</tr>
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</table>

Expenses that qualify for loan forgiveness: $82,000

Sandra to keep the remainder of $26,333 at the rate of 1% interest over 2 years

You can use [this calculator](https://www.nav.org) from NAV.org to prepare for your PPP loan application.
Topics of discussion

Stimulus package: Phase Three

• Paycheck Protection Program (PPP)
• Economic Injury Disaster Loans (EIDL)
SBA Economic Injury Disaster Loans (EIDL)

Overview

- New provisions backdated to January 30 for those who have already applied for EIDL
- $10 billion allocated for small business grants: Applicants may receive up to $10,000 grant for applying for the loan, regardless of whether or not your application is approved.
- Loans are available up to $2 million
- You must apply for EIDL through the SBA directly: covid19relief.sba.gov
- Rate and terms: 3.75% fixed for up to 30 years (2.75% for nonprofits)
SBA Economic Injury Disaster Loans (EIDL)

Application process

How long does the application take?

- SBA has streamlined the application and it should now only take about 10 minutes to complete.

How long will a decision take?

- The SBA expects decisions will be made within 3-4 weeks.

covid19relief.sba.gov
## Economic Injury Disaster Loan (EIDL) vs. Paycheck Protection Program (PPP)

### Key takeaways

<table>
<thead>
<tr>
<th>Paycheck Protection Program</th>
<th>Economic Injury Disaster Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>• $10 million cap</td>
<td>• $2 million cap</td>
</tr>
<tr>
<td>• Sizable portion forgiven for maintaining payroll</td>
<td>• Up to $10k grant, available in 3 days</td>
</tr>
<tr>
<td>• Max 1% over 2 years</td>
<td>• 3.75% at 30 years (2.75% for nonprofits)</td>
</tr>
<tr>
<td>• 2.5 months for payroll, etc.</td>
<td>• No collateral</td>
</tr>
<tr>
<td>• No collateral or personal guarantee</td>
<td>• The requirement that an applicant must have been in business for one year is waived</td>
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<tr>
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<td></td>
</tr>
</tbody>
</table>

### Resources:
- Venturize.org
- Find an SBA approved-lender near you: [www.sba.gov/lendermatch](http://www.sba.gov/lendermatch)
- Partners: SCORE, Women’s Business Centers, SBDCs
SBDC helps clients to apply for SBA loans and other resources

Our services are FREE

Presented by Dennis King and Margaret A. Jackson
**Who are we?**

- Small Business Development Center (SBDC)
- Largest federal program under the Small Business Administration to help start and grow small businesses.
- We provide services through workshops and one-on-one advising.
- Our local funding partner is the County of Santa Clara.
- We often work in partnership with other organizations such as Business Owner Space, Score and Chambers of Commerce.
We provide ACCESS to information and resources to help you sustain and grow your business.
Where can you find us?

Silicon Valley Small Business Development Center
Website: www.svsbdc.org
Phone: 408-385-9800

Alameda County Small Business Development Center
Website: www.acsbdc.org
Phone: 510-516-4118

Access Magazine

• http://hccsv.com/index.html
Our business experienced advisors can speak English, Spanish, Vietnamese, Chinese and other languages.
Access to Capital is one of our fundamental services.

- We work with many banks, credit unions, alternative lenders and other finding sources.
- We are on your side, we represent our clients.
- We can help our clients package their loan requests.
- We can walk you through the steps for access to the Economic Injury Disaster Loan and Payroll Protection Program.
### Differences Between Loans

**Paycheck Protection Program (7A PPP)**
- For all profit businesses and private non-profits.
- Apply at your local SBA approved bank.

<table>
<thead>
<tr>
<th>Payroll Expenses</th>
<th>Employee Salaries</th>
<th>Mortgage Interest</th>
<th>Rent and Utilities Interest on debt before 2/15/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AMOUNT</strong></td>
<td><strong>1.5X</strong></td>
<td><strong>3.75%</strong></td>
<td><strong>20 years</strong></td>
</tr>
<tr>
<td><strong>RATE</strong></td>
<td><strong>Fixed Annual Percentage Rate</strong></td>
<td><strong>3.75%</strong></td>
<td><strong>Fixed note</strong></td>
</tr>
<tr>
<td><strong>TERMS</strong></td>
<td><strong>3 years</strong></td>
<td><strong>30 years</strong></td>
<td><strong>Fixed note</strong></td>
</tr>
<tr>
<td><strong>LOAN FORGIVENESS</strong></td>
<td><strong>Up to 100% with approval</strong></td>
<td><strong>0% Eligible for forgiveness</strong></td>
<td><strong>No payments for first 6-12 months then a 10-year term loan</strong></td>
</tr>
</tbody>
</table>

**Economic Injury Disaster Loan (EIDL)**
- For sole proprietors, small agriculture co-ops, and private non-profits.
- Apply at sbdc.org.

<table>
<thead>
<tr>
<th>Payroll</th>
<th>Fixed Debts</th>
<th>Accounts Payable</th>
<th>Other expenses that can’t be paid because of COVID-19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AMOUNT</strong></td>
<td><strong>Up to $2 Million</strong></td>
<td><strong>Rate</strong></td>
<td><strong>3.75%</strong></td>
</tr>
<tr>
<td><strong>TERMS</strong></td>
<td><strong>3 years to 30 years</strong></td>
<td><strong>Rate</strong></td>
<td>**3.75% small businesses</td>
</tr>
<tr>
<td><strong>FORGIVENESS</strong></td>
<td><strong>Up to 100% with approval</strong></td>
<td><strong>Fees</strong></td>
<td><strong>No</strong></td>
</tr>
<tr>
<td><strong>DEFERMENT</strong></td>
<td><strong>No payments for first 12 months then a 10-year term loan</strong></td>
<td><strong>Fees</strong></td>
<td><strong>No</strong></td>
</tr>
</tbody>
</table>
On Wednesday, April 8, 2020, the Santa Clara City Council approved the creation of a Small Business Assistance Grant Program and committed up to $500,000 in one-time funds.

- The program will offer grants of up to $5,000 or $10,000 for qualified independently owned and operated small businesses, located in Santa Clara, with at least one and no more than 25-full-time employees.
- Franchises and chains (national or local with three or more locations) or operations restricted to patrons above the age of 18 will not be eligible for the grant program.
- The grants will be awarded on a first-come, first-serve basis for qualified applicants.
- Applications will be available starting the week of April 13, 2020.
- More details, including the application and funding process, will be provided on SantaClaraCA.gov in the coming days.
Be careful

• CAUTION:
  • Constant Change
  • Predators
Thank You and Contact Information

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Bianca Blomquist
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Thank You for Joining today’s SMALL BUSINESS Virtual Town Hall

Email: Assemblymember.Chu@asm.ca.gov
Phone: (408) 262-2501
Website: a25.asmdc.org

Phone: (408) 436-2720
Website: Khanna.House.Gov