

Update on Virus Funding Programs for April 11, 2020

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In the three days since my last update, I've sat through seven more webinars with accountants, attorneys and SBA officials trying to get a better handle on the assistance being made available to small businesses by the federal and state governments. Here are some takeaways you should know.

Surprise! We broke the systems!

Just like the country has had to ramp up the production of ventilators and PPE to meet unprecedented demand, so too have the government and financial institutions had to ramp up their abilities to process and fund loans (some of which can turn into grants). Both the SBA and the financial institutions that do the SBA's 7a loan program received more applications in a day than they normally see in a year – this at a time when many of their staffs are working from home. We all know that bankers and bureaucrats tend to be rather conservative, liking their i's dotted and t's crossed, so procedures are being written and implemented on the fly.

EIDL

These are the disaster loans that businesses can receive directly from the SBA.

The loans have been oversubscribed. Originally, these loans had a cap of \$25,000. This has been lowered to \$1,000 per employee to a maximum of \$15,000.

There is currently at least one bill in congress to increase the amount of funding for these loans but, as usual, the help we need is being held hostage by the politicians. I recommend that we all contact our representatives and senators and tell them to stop playing games with our businesses.

The SBA now saying that a loan officer will contact you about your EIDL loan in 2 weeks after you've applied.

I asked how we could check on the status of our applications and was told that there is a new e-mail address for that purpose.

It is disastercustomerservice@sba.gov. It's been almost 26 hours since I used it – no response yet.

I was finally able to get an answer to one of my earliest questions: Yes, an EIDL loan can be rolled into a PPP loan for purposes of loan forgiveness. Keep in mind, however, that a PPP loan has a maximum term of two years, while an EIDL loan can be for as many as thirty years, and up to \$10,000 of an EIDL loan may be turned into a grant.

Paycheck Protection Program (PPP)

This program expanded yesterday (Friday) to include independent contractors and self-employed individuals.

As of April 9, lenders were still waiting on closing documents and procedures.

Directions on how to determine loan forgiveness are at least two weeks away. Remember, the lender is to determine the amount, if any, of loan forgiveness.

I've been asked how it could be fair for a bank to consider it's own customers first. It is actually written into the regulations, the assumption being that your current bank already knows you and can see your transaction history, and **should** be in a position to process your loan faster than they would for a non-customer.

It was verified that Federal payroll taxes should not be included in calculating your payroll costs.

Contrary to earlier guidance, payments to 1099 workers **cannot** be included in a business's payroll. 1099s can and should apply for their own PPP loan. One attorney stated that, by definition, PPP loans to a 1099 worker should qualify for forgiveness.