QUESTIONS ABOUT THE SMALL BUSINESS ASSOCIATION

WHAT IS THE U.S. SMALL BUSINESS ASSOCIATION (SBA)?

The U.S. Small Business Administration (SBA) is a United States government agency that provides support to entrepreneurs and small businesses. The mission of the Small Business Administration is “to maintain and strengthen the nation’s economy by enabling the establishment and viability of small businesses and by assisting in the economic recovery of communities after disasters.” It is the only cabinet-level federal agency fully dedicated to small business.

WHAT IS AN SBA LOAN?

SBA loans are small-business loans guaranteed by the SBA and issued by participating lenders, mostly banks. During times of disaster, the SBA has been authorized to provide additional loans for those affected. In the wake of the coronavirus, the United States Congress passed the CARES act which put into place two different SBA Disaster Loans: The Paycheck Protection Program and the Economic Injury Disaster Loan.
CAN I APPLY FOR BOTH KINDS OF DISASTER LOAN?

While you can apply for both the Paycheck Protection Program and the Economic Injury Disaster Loan, you may only accept one.

GENERAL QUESTIONS

IS THE SBA OFFERING GRANTS?

Not at this time. However, the Paycheck Protection Program is forgivable under certain circumstances.

IF YOU HAVE AN SBA LOAN FROM A PREVIOUS DISASTER, CAN YOU STILL APPLY?

Yes.

HOW LONG DOES THE PROCESS TAKE FROM APPLICATION TO RECEIVING FUNDS?

While initially disbursement is usually made within five days, the sheer volume of applications may extend this timeline.

AM I OBLIGATED TO TAKE THE LOAN IF OFFERED?

No. If you apply and are offered a loan, you may turn it down or ask for a reduction.

WHAT IF I AM DENIED AND FEEL I SHOULD BE RECONSIDERED?

If denied, you will be given 6 months to provide new information and a written reconsideration request.

WOULD THIS LOAN PUT ME IN A POSITION TO BE AUDITED BY THE GOVERNMENT? WILL THERE BE MORE SCRUTINY?

Most likely, no. There currently isn’t the capacity. You should be fine.

IS THERE A LOCAL NUMBER I CAN CONTACT TO HELP ME WITH THE APPLICATION?

Contact the Houston office of the SBA at 713-773-6500.

WHO DO I CONTACT IF I HAVE MORE QUESTIONS?

Contact the SBA disaster customer service center by phone at 1-800-659-2955 (TTY: 1-800-877-8339) or by email at disastercustomerservice@sba.gov.
QUESTIONS ABOUT THE PAYCHECK PROTECTION PROGRAM

WHAT IS THE PAYCHECK PROTECTION PROGRAM?

A forgivable loan program designed to help small non-profits, small businesses, sole proprietors, independent contractors and self-employed individuals meet their payroll and other critical operational costs including health benefits, paid sick or medical leave, insurance premiums, mortgage and rent payments, utilities and interest on debt incurred before the covered period. Loans are intended to cover expenses incurred during the period from February 15, 2020 through June 30, 2020.

ARE THESE LOANS FORGIVABLE?

Yes, provided the borrower meets certain criteria, the loan is forgivable.

WHAT ARE THE ELIGIBILITY REQUIREMENTS FOR THE PAYCHECK PROTECTION PROGRAM LOAN?

Borrowers must:

• be able to certify the need for the loan to continue operations during the COVID-19 emergency,
• certify that they will use the funds to retain workers and maintain payroll, lease, and utility payments
• certify that they are not receiving funds for this purpose from another SBA program.

HOW MUCH CAN I OR MY ORGANIZATION APPLY FOR?

The maximum loan amount is 2.5 times the average total monthly Payroll Costs incurred in the one-year period before the loan origination date OR $10 million, whichever is smaller.

EXAMPLE: If the loan was made on April 1, 2020, and average monthly payroll costs for the period April 1, 2019 to April 1, 2020 were $500,000, the maximum loan amount would be $1,250,000.

WHAT IF MY ORGANIZATION HAS NOT BEEN OPEN FOR A FULL YEAR?

Businesses and nonprofits that were not in existence during the period from February 15, 2019 to June 30, 2019 can apply for 2.5 times the average total monthly payroll payments from January 1, 2020 to February 29, 2020 OR $10 million, whichever is smaller.

WHAT ARE THE REQUIREMENTS FOR LOAN FORGIVENESS?

The loan fund is part of the Paycheck Protection Program of the CARES Act. Loan forgiveness is based on retaining the same number of employees during the covered period in 2020 that the
Borrower had in 2019. The Borrower can qualify for loan forgiveness equal to payments made during the covered 8-week period starting with loan origination and the following costs incurred:

\[
\text{payroll costs (excluding compensation of individuals above $100,000) + interest payments on covered loan obligations + covered rent obligations + covered utility payments}
\]

Forgiveness amounts will be decreased for any reductions in the number of employees or reductions in wages of 25% or more under a formula comparing the 2020 covered period employment to that in the same period in 2019. There is also a provision that permits the loan forgiveness to be restored if laid off employees are restored by June 30, 2020.

IF THE CRITERIA FOR LOAN FORGIVENESS ARE NOT MET, WHAT ARE THE TERMS OF THE LOANS?

The loans must be repaid in ten years or less, at the determination of the lender. There will be an automatic deferment of payments for a period of 6-12 months. The length of the deferment is at the discretion of the lender. There are no prepayment penalties. The interest rate on the loans is 4%.

WILL I OR MY ORGANIZATION QUALIFY FOR THIS LOAN PROGRAM?

While SBA lenders typically may utilize credit scores to determine credit risk, Paycheck Protection Loans are 100% government back loans. This means banks are able to lend money to organizations, businesses and individuals with weaknesses in the loan application. Instead of determining repayment ability, which is not possible during this crisis, lenders will determine whether a business was operational on February 15, 2020 and had employees for whom it paid salaries and payroll taxes, or independent contractors. Furthermore, the loan would not require collateral or a personal guarantee.

WHEN ARE THESE LOANS AVAILABLE AND WHERE DO I APPLY?

These loans are to be distributed on a first come/first served basis. The program is open until December 31, 2020 but applying early is best. The loans are not being handled by SBA, but instead by SBA partnering lenders including banks, credit unions and other lenders. Check with the bank you do business with, or for a list of banks in Houston who handle SBA loans, go to page 30/31 of this document:


IS THERE A COST TO APPLY, WHEN MAY I APPLY AND IS THE APPLICATION AVAILABLE?

There is no cost to apply for the loan. Lenders may begin processing applications as soon as April 3, 2020 for organizations and April 10 for self-employed individuals and sole-
proprietorships. A sample application form is available at: https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp

CAN I ALSO APPLY FOR THE ECONOMIC INJURY DISASTER LOAN?

While you can apply for both the Paycheck Protection Program and the Economic Injury Disaster Loan, you may only accept one.

### QUESTIONS ABOUT THE ECONOMIC INJURY DISASTER LOAN

**WHAT IS AN ECONOMIC INJURY DISASTER LOAN (EIDL)?**

**AN EIDL IS NOT FORGIVEABLE.** It is a low interest, long term loan offered by the SBA to help small businesses and private non-profits affected by the current COVID-19 crisis. They may be used for fixed debts, payroll, accounts payable, and other bills affected by the disaster.

**WHAT ARE THE LOAN AMOUNTS AND TERMS?**

Loans are up to $2 million with no payments for 12 months. Small businesses without credit available elsewhere will have a 3.75% interest rate; private non-profits will have a 2.75% interest rate.

**WHAT IS THE LONG-TERM REPAYMENT FOR LOANS DUE TO COVID-19?**

30 years.

**IS THERE A COST TO APPLY?**

No.

**HOW IS THE LOAN AMOUNT DETERMINED?**

The amount is based on your financial information and should reflect 6 months of operating expenses.

**DO I NEED COLLATERAL?**

No, collateral is not required UNLESS the EIDL is for over $25,000. SBA will not decline for lack of collateral.

**WHAT ARE THE CRITERIA FOR APPROVAL?**

In order to be approved you must:
• have a credit history acceptable to SBA
• exhibit the ability to repay the loan
• be located in a declared state and suffered working capital losses due to the declared disaster

WHO IS INELIGIBLE FOR A SBA EIDL LOAN?
• Any business where gambling is more than 1/3 of annual gross revenue
• Casinos & Racetracks where their purpose for being is gambling
• Businesses of a prurient sexual nature
• Pawn Shops if more than 50% of income derives from interest
• Religious Organizations
• Investment or Lending companies
• Charitable Organizations (private non-profits are OK)
• All Speculative Activities
• Agricultural Enterprises

HOW DO I KNOW IF I AM A PRIVATE NON-PROFIT OR A CHARITABLE ORGANIZATION?
This determination is made on a case by case basis by the SBA by examining your most recent 990.

DO I NEED AN EMPLOYER IDENTIFICATION NUMBER (EIN) TO APPLY?
No.

HOW DO I APPLY FOR EIDL?
Applications will be online at www.sba.gov/disaster.

You may also contact the SBA disaster customer service center by phone at 1-800-659-2955 (TTY: 1-800-877-8339) or by email at disastercustomerservice@sba.gov.

WHAT DO I NEED TO APPLY?
In addition to the loan application, you will need the following:

• Completed IRS Form 4506-Ts for:
  o owner
  o each principal that owns 20% or more
  o each general partner or managing member
  o each owner who owns more than 50% of an affiliate business
• At least two (2) years complete business tax returns with all schedules
  o UNLESS the loan is for under $500,000. In that case only the 4506T is needed.
  o If you haven’t been in business two (2) years; OK. Submit what you have.

• Personal Financial Statement for each applicant

• Schedule of Liabilities for all fixed debts

Other information that may be requested:

• A current year-to-date profit-and-loss statement, especially if the most recent Federal tax return has not been filed

• SBA Form 1368 providing monthly sales figures

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**I MAY NEED TO LAY-OFF EMPLOYEES UNTIL THE FUNDS COME IN. WILL THIS AFFECT MY ELIGIBILITY?**

No, not for the EIDL.

**IN THE APPLICATION, PAGE 1 ASKING ABOUT PHYSICAL DAMAGE. WHAT SHOULD I PUT THERE?**

For damages due to COVID-19, leave it blank.