



PETRA COACH INSPIRE CHANGE

SBA Loan Conference Call Discussion – 3/18/2020



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LIFE LESSONS for BUSINESS OWNERS

Led by Steve Scalise – US Congressman for the State of Louisiana

Useful Online Resource and Contacts:

www.scalise.house.gov

www.sba.gov

www.sba.gov/disaster

800-659-2955 - SBA loan call in number

disastercustomerservice@sba.gov

Justin Crossly - Regional Director of SBA

Executive Summary

- Everything is VERY fluid and changing on a daily or hourly basis! Keep staying tuned!
- There are several bills that have passed in the last day or two and/or will pass in the coming days.

Big News Items

- The government approved last night, that it is an option for SBA lenders to defer existing SBA loan payments for up to 6 months. This is at the lender's discretion, but anyone with a current loan can/should talk with their loan agent!
- The IRS is giving a 90-day grace period for all individuals and businesses (that owe less than \$1 Million in taxes) to pay their taxes. Still must file by April 15th, but will not have to pay for at least 90 days with no interest or penalties.
- Economic Injury Disaster Loan Program (EIDL) - New loan offering from the SBA based on loss of revenue
 - This is a loan directly from the government not through a lending institution.
 - The loan amounts are for up to \$2 Million at up to 3.75% interest rate, and a possible maximum of 30-year term. All is based on the government's

assessment of credit worthiness and ability to pay back.

- All SBA Loan criteria (what constitutes "small business," collateral requirements, etc.) are still the same as they have been.
- Currently only 9 states have been approved for participation in the COVID-19 Disaster Loans (most are in process for approval, but just haven't gotten the approval yet – check daily on the SBA website) Current states approved as of this morning are: New Mexico, California, Washington, Maine, Connecticut, Nevada, District of Columbia, Rhode Island & Utah
- States are now getting blanket coverage to participate in the new COVID-19 EIDL process – it used to be done via counties, but is now being done by States.
- There is no rule against applying for multiple SBA Loans (EIDL and a regular SBA Loan 7(a), 504) at the same time.
Current issue could be how long it will take to get approved and funded.
- Funding is taking between 14 and 21 days. What is unclear is how long it will take to get approved.

Further Takeaways

The specifics of how money will get into businesses hands is still not determined. The best understanding so far is that businesses that have payroll taxes that they've paid, will get relief directly from the IRS in the form of credits back against the payroll taxes. Again, no specifics, that's just the anticipated concept.

The process is being streamlined onto the SBA website – www.sba.gov/disaster. This process used to be done in-person, at local disaster relief locations. Due to the fear of spreading COVID-19 and the impact in every state, this is being coordinated via online applications.

There are now 5 main SBA Loan offerings - everyone should consider which one would work best for them. Go to www.sba.gov for full details:

- COVID-19 Economic Injury Disaster Loan Program - up to \$2MM
- Express Loan - Up to \$350,00 for no more than 7 years. Turnaround time is normally 36 for approval. This could change given the current environment. Uses are the same as 7(a)
- 7(a) Program - Up to \$5MM using lending partners for working capital,

- refinancing, construction, seasonal line of credits and starting a business
- 504 loan program designed to foster economic development and job creation and/or retention. The eligible use of proceeds is limited to the acquisition or eligible refinance of fixed assets.
 - Export Trade Relief Loans - Loans to support small businesses that export directly overseas.

Q&A

Q: Is the government considering or creating Grants vs. Loans?

A: It is being considered for bills that might be passed in the coming days/weeks. As of right now there is not government COVID-19 Grant program.

Q: How quickly can loan dollars be received after the loan is approved?

A: The average in the past has been 14-20 days. We understand that time is of the essence and we're working to figure out how to reduce that time.

Q: Will smaller banks and credit unions be allowed to start doing SBA loans?

A: We're considering as many ways as possible to get the money out there as quickly as possible. But there's not specific plan or program to do anything with other institutions right now.

Q: Are the thresholds for what's considered "Small Business" being changed?

A: No, all existing thresholds are still in place.

Q: Is there consideration for Senator Rubio's proposed legislation of raising the SBA Express loan amount from \$350k to \$1M or higher, to speed up the distribution of larger amounts of loan money? (asked by 2 former SBA loan bankers who were on the call)

A: Everything is being considered, but at this time there has not been any determination that this will or will not occur.

Q: Is there any consideration to allowing businesses to lay people off, so they can file for unemployment, yet allow them to stay on as part timers for say 10-20 hours a week to help businesses get through the crisis and start generating revenues again?

A: A lot of options are being considered. This is not something that has been put in place at this time.

Q: Will part-time employees be eligible for the 14-day sick leave program?

A: I believe that they will be on a pro-rata portion.

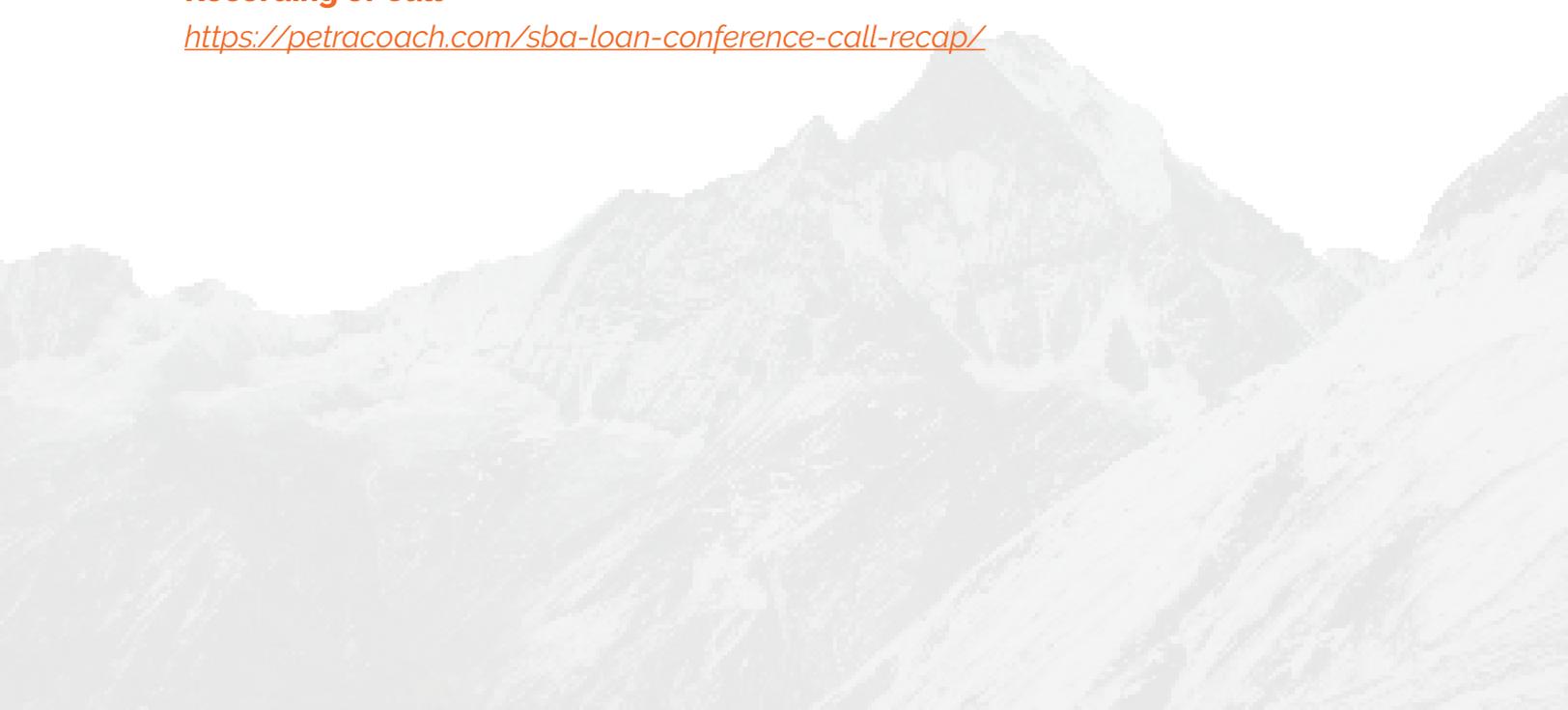
Petra Coaches' High Level Takeaways

The good news is that there is going to be a lot of money put into the SBA Loan program and the process of applying is being streamlined for the COVID-19 EIDL program. Currently only nine states (listed above) are eligible for the loans. Congressman Scalise said that more will be likely added everyday. States have to apply to the SBA to get approval to be part of the program. The SBA is working hard to speed up the process in an ever changing environment. That said, the restrictions and collateral requirements have not changed. Specifically, for all loans over \$350k, any individual with greater than 20% ownership will have to personally guarantee the loans (ie- put their house or other assets up as collateral in case of default.) This could be a very large impediment to our business owner, passive investment partners and others actually applying. One concern is about the liquidity of banks to continue to lend money. Treasury Secretary Steve Mnuchin is going to release \$1 Trillion of commercial paper to provide banks with the needed liquidity to make loans and service small businesses.

If you are considering whether you should let your employees go and start collecting unemployment vs keeping them and making use of the proposed 14-day sick leave relief that the government is passing right now. In order to use the 14-day relief, the employees must be on the payroll.

Recording of Call

<https://petracoach.com/sba-loan-conference-call-recap/>



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Looking to change your business life - forever?

The daily grind of growing a business is tough... it doesn't have to be that way. We work from our own business experiences while focusing on your business – as coach and an accountability partner. We implement the Petra Process in a way that ensures it “sticks” then we stay engaged to keep you on your path to success and less frustration. We don't want this to be just another thing you start – then it gets ignored and finally dies... let's stop that cycle in your business. The Petra Program 'clarifies' what is most important to be done – by whom, by when – **AND** creates an accountability structure to ensure **IT GETS DONE.**

Mark Comiso and Jason Rush are entrepreneur coach with business coaching firm Petra Coach. Visit our blog at www.petracoach.com for more business and leadership insight.

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