

***Economic Aid Act:
Small Business
Administration (SBA)
Loans & Grant Programs***





Economic Aid Act



- The Consolidated Appropriations Act, 2021 (CAA, 2021) was signed into law by the President on 12/27/2020
- It is a \$2.3T spending bill combining \$900B in pandemic aid/relief with a \$1.4T omnibus spending bill for the 2021 federal fiscal year (combining 12 separate annual appropriations bills)
- The CAA includes acts that modify or create new programs associated with the CARES Act and other 2020 pandemic-related legislation, including:
 - Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act)
 - Coronavirus Response and Relief Supplemental Appropriations Act, 2021
 - Additional Coronavirus Provisions



Paycheck Protection Program Loan Overview



- Loans are forgivable if all employee retention criteria are met, and the funds are used for eligible expenses
- Interest rate of 1%
- Loans issued after 6/5/2020 have a maturity of 5 years
- Loan payments deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender
- If a borrower doesn't apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower's loan forgiveness (either 8 weeks or 24 weeks)
- No collateral or personal guarantees required
- No government or lender fees
- PPP Round 2 has authorized \$284B in additional funding
- First Draw Loan maximum amount of \$10M



PPP First Draw Loans Eligibility



- For eligible applicants that did not receive a PPP loan prior to 8/9/2020
- Sole proprietors, independent contractors, and self-employed persons
- Any small business concern that meets SBA's size standards (either the industry size standard or the alternative size standard)
- Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, or tribal business concern (sec.31(b)(2)(c) of the Small Business Act with the greater of:
 - 500 employees, or
 - That meets the SBA industry size standard if more than 500
- Any business with a NAICS code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location
- Must apply on or before 3/31/21, or until Congressional appropriations expire



PPP First Draw Loans Eligible Entities



- Must comply with size standards, eligibility criteria and certain conditions
- **Newly Eligible:**
 - Housing cooperatives
 - Destination marketing organizations
 - Certain 501(c)(6) organizations such as Chambers of Commerce
 - Eligible news organizations
- **Still Eligible:**
 - Business entities (e.g., partnerships, corporations, LLCs)
 - Sole proprietors, independent contractors, self-employed individuals
 - 501(c)(3) non-profit organizations
 - 501(c)(19) Veterans organization
 - Tribal businesses



PPP Second Draw Loans



- New loan program with loan details and terms the same as First Draw Loans
- For most borrowers, the maximum loan amount of a Second Draw PPP Loan is 2.5x average monthly 2019 or 2020 payroll cost up to a maximum amount of \$2 million
- Second Draw PPP loan applicants must submit the information on SBA Form 2483-SD (Borrower Application) when applying to their lender
- For the Accommodation and Food Services Sector (NAICS code 72), the maximum loan amount for a Second Draw PPP Loan is 3.5x average monthly 2019 or 2020 payroll costs up to \$2 million



PPP Second Draw Loans Eligibility

- Eligibility for borrowers is narrower than First Draw Loans:
 - Previously received a First Draw PPP Loan and will or has used the full amount only for authorized uses;
 - Have 300 employees or less; and
 - Suffered a 25% reduction in gross receipts





PPP Loan Forgiveness Conditions



- Loan made to eligible borrowers qualify for full loan forgiveness if during the 8 to 24 week covered period following loan disbursement they meet the conditions below
- First Draw Loans:
 - Employee and compensation levels are maintained
 - The loan proceeds are spent on payroll costs and other eligible expenses; and
 - At least 60% of the proceeds are spent on payroll costs
- Second Draw Loans:
 - Employee and compensation levels are maintained in the same manner as required for First Draw PPP loan
 - The loan proceeds are spent on payroll costs and other eligible expenses; and
 - At least 60% of the proceeds are spent on payroll costs



PPP Loan Forgiveness Procedures



- A borrower can apply for forgiveness once all loan proceeds for which the borrower is requesting forgiveness have been used
- Borrowers can apply for forgiveness any time up to the maturity date of the loan
- If borrowers do not apply for forgiveness within 10 months after the last day of the covered period, then PPP loan payments are no longer deferred, and borrowers will begin making loan payments to their PPP lender
- Borrowers should contact their PPP lender and complete the correct form to apply for loan forgiveness
- Borrowers must apply for forgiveness through their lender; lenders submit borrower forgiveness decision to the SBA
- The lender can provide either the SBA Form 3508, SBA Form 3508EZ, SBA Form 3508S, or a Lender Equivalent
- Payroll and non-payroll [documentation](#) is required



Key Provisions and Changes



- Borrowers can now set their PPP loan's covered period to be any length between 8 and 24 weeks to best meet their business needs
- Loans cover additional expenses, including operations expenditures, property damage costs, supplier costs, and worker protection expenditures
- If borrowers have not already submitted for loan forgiveness, they may go back and include newly eligible expenses
- Eligibility expanded to include other types of organizations such as 501(c)(6)s, housing, and destination marketing organizations with no more than 300 employees and limited lobbying activities
- Greater flexibility for seasonal employers – as long as they were in operation for any 12-week period between 2/15/19 and 2/15/20
- Certain existing PPP borrowers can request to modify their First Draw PPP Loan and request an increase to their original PPP loan amount



Key Provisions and Changes (continued)



- EIDL Advances will no longer be deducted from forgiveness payments
- Forgiven PPP loans are not taxable income
- Expenses paid with PPP loan funds are now tax deductible
- Borrowers should consult the IRS for details regarding tax implications
- Expandable forgivable expenses are permissible for any PPP loan not already forgiven
- All new borrowers (including farmers and ranchers) can use 2019 or 2020 as the base period for purposes of calculating their maximum loan amount
- Coming soon (as of 1/15/2021): simplified forgiveness application for PPP loans \$150K and under
- For loans under \$150K, borrowers do not have to submit documentation until the time of forgiveness



Accessing Capital for Underserved Populations



- Congress intended this round of PPP to increase access to pandemic relief funding for the hardest-hit small businesses, low-income and underserved communities, and underrepresented populations
- The SBA released guidance regarding actions to meet these objectives on [1/6/21](#), including:
 - Initially opening PPP loan application submissions from Community Financial Institutions (CFIs)
 - Leveraging its Lender Match platform for borrowers to find CFIs and other participating PPP lenders
 - Continuing to provide trainings, materials and assistance via SBA field offices and its resource partners across the country



PPP Key 2021 Dates



- **January 11:** PPP opened for First Draw PPP loan applications from Community Financial Institutions (CFIs)
- **January 13:** PPP opened for Second Draw PPP loan applications from CFIs
- **January 15:** PPP opens for First and Second Draw applications to lending institutions with \$1B or less in assets
- **January 19:** PPP opens first and Second Draw applications to all other participating lending institutions
- **March 31:** Deadline for all PPP applications to be submitted

To promote access to capital for minority-, underserved-, veteran- and women-owned small business concerns, initially only CFIs were able to make PPP Loans. CFIs include:

- Community Development Financial Institutions (CDFIs)
- Minority Depository Institutions (MDIs)
- Certified Development Companies (CDCs)
- Microloan Intermediaries



PPP Next Steps and Resources



- Borrowers Can:
 - Contact their lender
 - If they do not have a lender, they can find one on Lender Match: www.sba.gov/LenderMatch
 - Visit www.sba.gov/ppp for the most up-to-date documents
- Additional Resources:
 - Contact their local SBA District Office or Resource Partner: www.sba.gov/local-assistance
 - Follow SBA on Twitter: @SBAgov



Economic Injury Disaster Loans (EIDL)



- Helps meet financial obligations and operating expenses that could have been met had the disaster not occurred
- Terms include fixed interest rates at 3.75% for businesses and 2.75% for nonprofits over 30 years with no pre-payment penalty or fees
- Can be used for working capital and normal operating expenses
- Unlike PPP, collateral required (for loans over \$25K), and the SBA uses a general security agreement (UCC) designating business assets as collateral (e.g., machinery and equipment, furniture, and fixtures, etc.)
- EIDL Loans are not forgivable
- Payments are deferred for 1 year but interest still accrues – borrower may make payments during this period if they choose to do so
- EIDL applications are accepted on a rolling basis and open from all qualified small businesses, including agricultural businesses, and private nonprofit organizations
- Apply directly through SBA – deadline extended to 12/31/2021



EIDL Support



- If an applicant is denied:
- Must wait up to 6-months to request reconsideration
- Provide additional information to substantiate application. For example:
 - Tax returns
 - Tax transcript releases
 - Identification verification information
- Borrowers or applicants can contact the Disaster Loan Customer Service Center at 1-800-659-2955



EIDL Advance (Grants)



- The EIDL Advance was a grant program offered together with the EIDL program
- The amount of the grant was determined by the number of employees indicated on the EIDL application: \$1K/employee up to a maximum of \$10K
- EIDL Advance does not have to be repaid
- Recipients did not have to be approved for an EIDL loan to receive the EIDL Advance
- The amount of the loan Advance was deducted from total loan eligibility
- Businesses who received an EIDL Advance in addition to the PPP had the EIDL Advance subtracted from the forgiveness amount of their First Draw PPP Loan – this was removed in the Economic Aid Act, and SBA will make remittances to the lender to make affected borrowers whole
- **All available funds for the EIDL Advance have been allocated and it is no longer available**



Targeted EIDL Advance for Small Businesses



- The Economic Aid Act appropriated \$20B in another round of EIDL Advance specifically targeted for grants to small businesses that meet the eligibility criteria
- **Eligibility:**
 - Located in a low-income community;
 - Suffered an economic loss of greater than 30%; and
 - Employs not more than 300 employees
- \$10K grants – if the entity previously received an EIDL Advance, entities are eligible to receive the difference up to \$10K



Targeted EIDL Advance (continued)



- Low-Income Community Definition:
- Population census tract (generally)
- Poverty rate at least 20%; or,
 - Non-metro area – median family income does not exceed 80% of the statewide median family income
 - Metro area – median family income does not exceed 80% of the greater of statewide median family income or the metro area median family income
- <https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>
- There is not currently an application for the Targeted EIDL Advance
- SBA is first prioritizing EIDL Advance applicants who previously received less than \$10K or applied and did not get an EIDL Advance because funds were exhausted
- SBA has not yet issued guidance for the implementation of this program as of 1/15/2021



Shuttered Venue Operator Grants (SVOG)

- Administered by the SBA's Office of Disaster Assistance
- **Targeted for the following industries:**
 - Live venue operators or promoters
 - Theatrical producers,
 - Live performing arts organization operators,
 - Museum operators (including zoos and aquariums who meet specific criteria),
 - Motion picture theater operators, or
 - Talent representative
- **Eligibility:**
 - Fully operational as of 2/29/2020
 - At least 25% reduction in gross revenue in 2020 vs. 2019
 - Is open or intends to reopen
 - Meet defined physical and business characteristics (depending on the type of entity)
 - Must not have received a PPP loan on or after 12/27/2020
 - Applying for or receiving an EIDL Loan does not affect SVOG status





SVOG Priorities and Amounts



- Section 324 of the Economic Aid Act appropriated \$15B
- \$2B will be set aside for entities that employ no more than 50 full-time employees
- Grants will be initially be implemented in two priority periods for groups based on their revenue loss:
 - Initial 14-day period – For eligible entities with not more than 10% of revenue in 2020 compared to 2019
 - Second 14-day period – For eligible entities with not more than 30% of revenue in 2020 compared to 2019
- Grant amounts will be the lesser of the calculations below or \$10M
 - Entity in operation on 1/1/2019 – amount equal of 45% of gross revenue during 2019
 - Entity in operations after 1/1/2019 – amount equal to the average monthly gross earned revenue for each full month during which the entity was in operation multiplied by 6
- Museums have limitation of \$10M for all affiliated museums



SVOG Use of Proceeds



- Amounts received under a grant under this section may be used for costs incurred during the period beginning on 3/1/2020 and ending on 12/31/2021
- Any amounts received under a grant under this section that are not expended on or before the date that is 1 year after the date of disbursement of the grant
- Eligible expenses
 - Payroll costs
 - Rent obligations
 - Utility payments
 - Payments of principal or interest (must have been in place on 2/15/20)
 - Worker protection expenditures
 - Payments to independent contractors
 - Other ordinary and necessary business expenses



SVOG Ineligible Entities



- Prohibited/Exclusions:
 - Businesses that received a PPP loan after 12/27/20
 - Cannot be listed on a National Securities Exchange
 - Cannot receive more than 10% of their 2019 gross revenue from federal funding
 - Cannot own or operate a venue in more than 1 country of 10 states
 - Cannot employ more than 500 full-time employees
 - Cannot be associated with activities of a sexual nature
- Note: These exclusions are listed in the legislation and further SBA guidance is pending as of 1/15/2021
- Questions: SVOG@sba.gov
- More information: www.SBA.gov/coronavirusrelief

Questions?

Thank You!
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