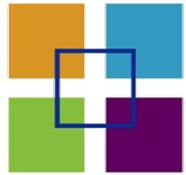




# COVID – 19

## SBA Loans, CARES Act Implications

April 3, 2020



With you today



**Doug Mueller**  
President



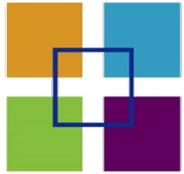
**Mike Prost**  
Partner, Vice President



**Steve Grelle**  
Regions Bank  
Vice President – SBA Banker

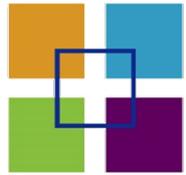


**Anastasia Tiedemann**  
Small Business Counselor  
Northeast Missouri SBDC



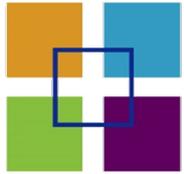
## Type of Loans

- Economic Injury Disaster Loan (EIDL)
- EIDL Forgiveness/Advance (advance up to 10K)
- PPP SBA 7a (Paycheck Protection Program)
- SBA Express Bridge Loan
- SBA Small Business Debt Relief Program



## Economic Injury Disaster Loan (EIDL)

Eligibility: Self-employed individuals, independent contractors, sole proprietors, and businesses, Tribal business concerns, ESOPs, cooperatives and private/501(c)(3) non-profits with 500 or fewer employees



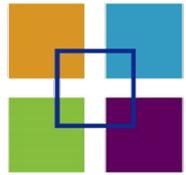
## Important factors to note

- Can currently apply directly through the SBA
- Can include 6 months of Operating Expenses and Payroll Included in Cost of Goods Sold (Cannot use the same costs in both programs)
- The maximum term is 30 years. Depending on Collateral and Cash flow
- The interest rate is 3.75% for for-profit entities and 2.75% for nonprofit entities
- Does require a personal guaranty (Even for non-profits)
- Does require collateral to the extent it is available (Will take 2<sup>nd</sup> and 3<sup>rd</sup> liens and a shortage will not exclude you)
- Must meet SBA size standards(Including affiliates) – TNW < \$15Million and Profit < \$5MM on average the last two years (or NAICS Code Standards)
- They mention forgiveness but it is not guaranteed or defined
- Must be able to show that they can support the cash flow based on 2019 numbers
- Credit Elsewhere Test (Typically means cannot have cash on PFE more than 1.5X for loans less than \$500,000 and 1X above that)



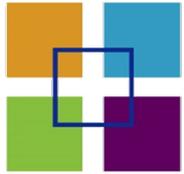
## EIDL Forgiveness/Advance (grant up to 10K)

Eligibility: Self-employed individuals, independent contractors, sole proprietors, and businesses, Tribal business concerns, ESOPs, cooperatives and private/501(c)(3) non-profits with 500 or fewer employees



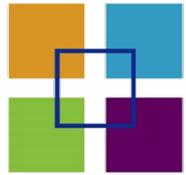
## PPP SBA 7a (Paycheck Protection Program)

Eligibility: Self-employed individuals, independent contractors, sole proprietors, and businesses, Tribal business concerns and private/501(c)(3) non-profits with 500 or fewer employees. Can include religious affiliated entities, like faith-based schools, whereas the EIDL cannot.



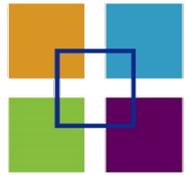
## Important factors to note about PPP

- Application start April 3<sup>rd</sup> for businesses and April 10<sup>th</sup> for contractors and sole proprietors
- The application is far simpler than anticipated. The application just requires that you fill out the application. Lenders may require payroll information as well.
- The maximum term is 2 years. This is different than was originally published.
- The initial interest rate is 1%. Can go up to 4% after forgiveness period.
- You can borrow 2.5X your average monthly payroll over the same period last year.
- Eligible expenses are Payroll, Rent, Utilities, and Mortgage Interest. **Only 25% of the funds are allowed to go towards items besides payroll**
- Eligible to businesses with less than 500 employees unless the SBA allows for higher per industry.
- No Personal Guaranty (The SBA did say that they will go after you personally if funds are used for ineligible expenses. Maybe even criminally)
- No collateral is required
- Banks are expecting a significant volume and the funds to be exhausted quickly. Recommend talking to your banker and applying as quickly as possible.



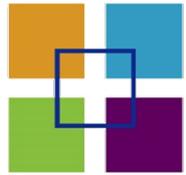
## SBA Express Bridge Loan

Eligibility: Any business in operation before March 13, 2020, that has fewer than 500 employees or otherwise meets the SBA's existing Size Standard (predicated or NAICS code and annual revenue). Credit not available elsewhere.



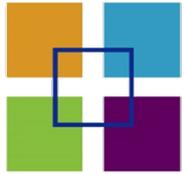
## SBA Small Business Debt Relief Program

Eligibility: 7(a) loans not made under the Paycheck Protection Program (PPP), 504 loans, and microloans. Disaster loans are not eligible.



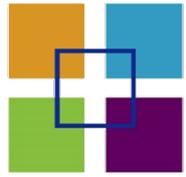
## SBA Loans process

- SBA is currently making payments for 6 months on SBA 7(a) loans (*may want to contact your bank*)
- SBA is currently deferring payments on the Debenture portion of SBA 054 Loans (interest does accrue)
- SBA Express Loan Maximums have increased to \$1,000,000
- SBA maximum has increased to \$10,000,000 through 12/31/2020



## Loan Details and Forgiveness

- The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. **No collateral or personal guarantees are required.** Neither the government nor lenders will charge small businesses any fees.
- Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.
- This loan has a maturity of 2 years and an interest rate of 1%.



# Payment Terms

## *Loan Forgiveness Eligibility*

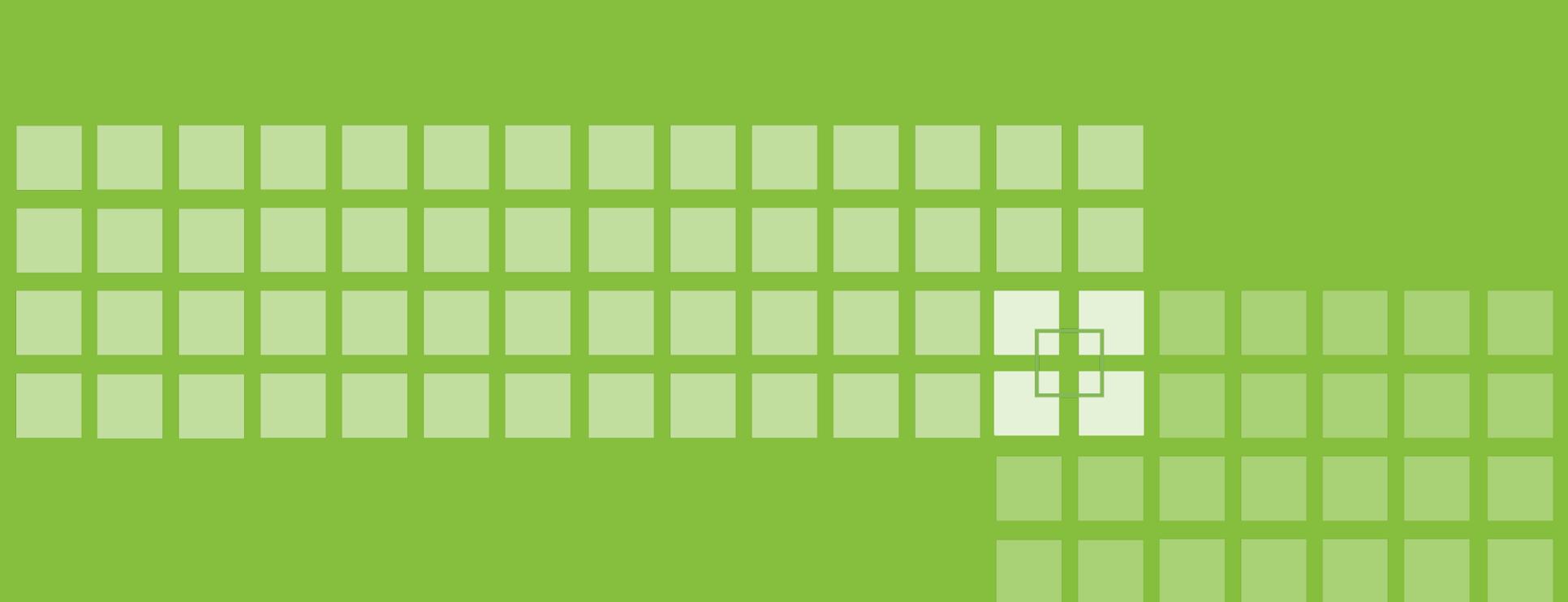
Assume the following fact pattern:

- Average FTE for 8-week period = 40
- Average FTE for period February 15, 2019 thru June 30, 2019 = 50
- Average FTE for the period January 1, 2020 thru February 29, 2020 = 50
- Loan Principal = \$300,000
- Loan Principal forgiveness = \$240,000, calculated as follows:  
$$\$240,000 = \$300,000 \text{ (loan principal)} \times (40/50)$$

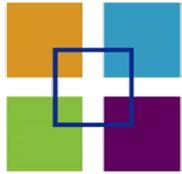


## **DOCUMENT EVERYTHING!**

At some point the reporting requirements will come out (not sure what they will be yet) and you want to make sure you know who, what, where, and why for all the money in order to be eligible for forgiveness.



Questions?



## For additional information

- Call our COVID-19 Tactical Hotline @ (314) 337-6377
- Email us at [info@muellerprost.com](mailto:info@muellerprost.com)
- Visit our [COVID-19 Resource Center](#) for a multitude of content and helpful information

The screenshot shows the Mueller Prost website's COVID-19 Resource Center. The header includes the Mueller Prost logo (CPAs + Business Advisors) and navigation links: Home, About, Contact, YOUR PATH, SERVICES, INDUSTRIES, PEOPLE, and INSIGHTS. The main content area is titled "COVID-19 Resource Center" and contains the following text:

We are here to support you as we navigate this uncertain financial environment and want to assist you and your organization in any way we can. Our advisory services can help ensure you're equipped to conquer business challenges, and we'll do all we can to help you thrive.

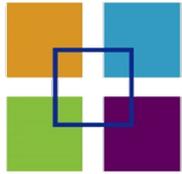
These resources have been compiled as a go-to resource center, including up-to-date information to keep you, your employees, and business informed.

Please reach out to your trusted Mueller Prost advisor or call (314) 337-6477. Our team is here to help answer any of your accounting, business or tax questions.

There is a video player for the "COVID-19 Tactical Task Hotline" with the text: "Helping you navigate these uncertain times." Below the video, it says: "Call our new COVID-19 Tactical Task Hotline at (314) 337-6477 or contact us via the pop up in the lower right-hand corner".

At the bottom, there is a button that says "View our Preparedness Plan." with a "LEARN MORE" link. In the bottom right corner, there is a chat bubble that says: "How can we help address your COVID-19 concerns?".

At the bottom of the page, there are links for "Regulatory" and "Employer & Employee Resources". Specific links include "State Guidance on Extension of Federal Tax Deadline to July 15" and "Working from Home Best Practices".



# Thank you!

**Doug Mueller, CPA**

President

314.337.6477

[dmueller@muellerprost.com](mailto:dmueller@muellerprost.com)

**Doug Mueller, CPA**

President

314.337.6477

[dmueller@muellerprost.com](mailto:dmueller@muellerprost.com)

**Steve Grelle**

Regions Bank

Vice President – SBA Banker

314.308.0375

[Stephen.Grelle@regions.com](mailto:Stephen.Grelle@regions.com)

**Anastasia Tiedemann**

Business Counselor

Small Business Development Center /  
MO Rural Enterprise & Innovation Center

660.665.3348

[atiedemann@kirksvillecity.com](mailto:atiedemann@kirksvillecity.com)



Join our e-mail list!



/company/mueller-prost



/MuellerProst



@muellerprost



+MuellerProstPCStLouis



muellerprost

© 2020 Mueller Prost. All rights reserved. Not for further distribution without the permission of Mueller Prost. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication with obtaining specific professional advice related to your specific situation. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, Mueller Prost does not accept or assume any liability, responsibility or duty of care for any consequences of your or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.