



SBA Economic Injury Disaster Loans (EIDL) for Hapco Members

The Coronavirus Preparedness and Response Supplemental Appropriations Act passed on March 6, 2020 authorized \$7 billion for the SBA to provide low-interest working capital loans of up to \$2 million to small businesses and nonprofits affected by COVID-19. As of today, businesses in every state plus American Samoa, Guam, the Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands can apply for EIDL loans. EIDL loans are made directly by the SBA, rather than through banks. The CARES Act also amended the EIDL as it relates to loans made in response to COVID-19.

Key Terms of the EIDL loans:

- Maximum loan amount of \$2 million. The actual amount of each loan is limited to the economic injury as determined by SBA, less business interruption insurance payments and other recoveries.
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- Companies applying for loans under EIDL in response to COVID-19 may request an emergency advance from the SBA of up to \$10,000, payable within 3 days of application, which does not have to be repaid even if the loan application is later denied.
- SBA considers potential contributions that are available from the business and/or its owner(s) or affiliates.
- If a business is a major source of employment, SBA has the authority to waive the \$2,000,000 statutory limit.
- Proceeds may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact.
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- Loan term of up to a maximum of 30 years. The SBA will determine an appropriate installment payment based on the financial condition of each borrower, which in turn will determine the individual loan term.
- Interest rate is 3.75%.
- Interest rate for non-profits is 2.75%.
- Collateral is required for all loans over \$25,000. The SBA takes real estate as collateral when it is available.
- Personal guarantees are required for loans in excess of \$200,000.
- Credit Requirements:
 - Credit History – Applicants must have a credit history acceptable to SBA.
 - Repayment – Applicants must show the ability to repay the loan.

How to apply:

Eligible businesses can apply online through the SBA portal at:
<https://disasterloan.sba.gov/ela/Information/ApplyOnline>.

SBA Debt Relief

Under the CARES Act, the SBA is allocated \$17 billion to pay all principal, interest and fees on all existing SBA loan products including 7(a), Community Advantage, 504, and Microloan programs for six months. The terms of the deferral will be set forth more

fully in the forthcoming SBA regulations.

STATE PROGRAMS

COVID 19 Working Capital Access Program (CWCA).

The Pennsylvania Industrial Development Authority (PIDA) under its Small Business First Fund has made available \$60 million to provide loans of up to \$100,000 to for-profit businesses with 100 or fewer full-time employees located within Pennsylvania that are adversely impacted by the COVID-19 outbreak.

Key terms of the CWCA loans:

- Maximum loan amount of \$100,000.
- Loan terms are three years with a 12-year amortization.
- Interest rate for the program is 0% except for agricultural producers where the interest rate is 2% fixed for the life of the loan.
- No payments will be due and payable during the first year.
- Principal and if applicable, interest payments will be due monthly for years two and three.
- A balloon payment of the remaining balance will be due and payable at the end of the third year.
- PIDA will have a blanket lien on all current business assets and any acquired in the future in first available lien position
- All owners (individual or other business entities) owning 20% or more of the business must guarantee the loan.
- Eligible costs include working capital, defined as capital used by a small business for operations, excluding fixed assets and production machinery and equipment.
- Any eligible working capital cost, as defined above, incurred by the eligible business enterprise three months prior to submission of the loan application will count as an eligible cost toward either the loan amount or, if applicable, the matching investment requirement. Retail/service enterprises are able to incur eligible working capital costs up to six months prior to submission of the loan application.
- For purposes of this program a retail/service enterprise is defined as a for-profit business entity that is involved in the business-to-business service, business-to-public service, mercantile, commercial, or point of sale retail sectors.
- Some credit criteria for approval (as evaluated by PIDA) may include:
 - At least breakeven performance in the prior year;
 - Acceptable personal credit history of the guarantors; and
 - Historical cash flow adequate to pay obligations.

How to apply:

All CWCA loan applications must be submitted through a Certified Economic Development Organization (CEDO) for the county in which the eligible business is located. Eligible business can find their CEDO at:

<https://dced.pa.gov/CEDO/>. Applications have started to become available for certain counties and funds are expected to become shortly.

LOCAL PROGRAMS

Philadelphia COVID-19 Small Business Relief Fund (SBRF).

The City of Philadelphia and the Philadelphia Industrial Development Corporation (PIDC) launched a \$9 million-plus grant and loan program to support businesses in Philadelphia negatively affected by COVID-19. The fund is designed to help businesses with less than \$5 million in annual revenue survive the COVID-19 crisis, retain employment and help small businesses continue to pay employees, helping businesses avoid predatory lenders and maintaining the provision of goods and services for Philadelphia's residents.

Key terms of the SBRF:

- This fund is a tiered program providing targeted support by revenue level:
 - Micro-enterprise grants – up to \$5,000 for businesses with less than \$500,000 in annual revenue.
 - Small-business grants - up to \$25,000 for businesses with annual revenue between \$500,000 and \$3 million.
- Small-business loans - \$25,000 to \$100,000 for businesses with annual revenue between \$3 million and \$5 million.
- Interest rate for small business loans is 0%.
- Credit criteria includes prioritizing businesses that:
 - provide jobs during a normal business cycle,
 - have lost a significant share (50%) of their revenue because of the pandemic,
 - employ low-income individuals and/or are located in a zip code with high poverty,
 - have a strong likelihood of remaining open after the pandemic,
 - have been in operation for more than two years, and
 - experienced loss of revenue from other situations in addition to COVID-19, such as recent public works projects (i.e. water main breaks, utility repairs, street closures).

How to apply:

Eligible business can apply for the three relief programs through a single application online at:

https://phila-uyims.formstack.com/forms/philadelphia_covid_19_small_business_relief_fund.

Applications will be directed to the appropriate program based on annual revenue and will be reviewed on a rolling basis.