

The President has signed a \$2 trillion federal stimulus package including \$350 billion in loans backed by the U.S. Small Business Administration (SBA), some of which will be forgiven depending on a company's circumstances. In an exclusive Town Hall with Inc., U.S. Chamber of Commerce executive vice president and chief policy officer Neil Bradley explained the resources that will soon be available to business owners in the economic stimulus package.

[WATCH THE TOWN HALL VIDEO HERE](#)

## **SBA Economic Injury Disaster Loan (EIDL)**

This type of loan is now available as part of the government's response to the coronavirus. Keep in mind, even though you're applying through the SBA, the lender is the government, not a bank, which may take longer to approve than a traditional loan (see below).

**IMPORTANT:** This loan requires a personal guarantee, such as a lien on your business and your home.

To qualify for this emergency loan, you have to show "substantial economic injury," which means you're unable to meet obligations or pay your regular expenses, and you're unable to obtain credit for more than \$350,000 elsewhere.

Up to \$2 million in assistance is available, but the exact amount will be based on how much your business has been affected.

### ***How do I apply for an EIDL?***

You can [apply online here](#).

## **Traditional SBA Loan(s)**

### ***What do I do before I apply for a loan?***

- File your taxes now, particularly if 2019 was a strong year, and prepare a personal financial statement.
- Put together three years of business and personal tax returns. If 2019 tax returns are not available yet, lenders will want to see your year-end 2019 financials and the personal financial statement, if you own more than 20 percent of the company.
- Be sure to put together your monthly operating expenses from March through September of 2019. This data will be an important part of your loan application.
- Provide forecasts and budgets for 2020--ideally a best-case, an expected-case, and a worst-case scenario for your company.
- Prepare a debt schedule.

### ***Where do I apply for an SBA Loan, and what loans are available to me?***

You can find various different loan types and lenders [here](#).

## **Loan Forgiveness & The Paycheck Protection Program**

The Paycheck Protection Program is designed to provide a direct incentive for small businesses to keep their workers on payroll by providing each small business a loan up to \$10 million for payroll and certain other expenses. [More information here](#).

### ***Who is eligible to receive this type of loan?***

Small businesses with fewer than 500 employees qualify, as will some larger companies, including:

- Eligible non-profits
- Veterans organizations
- Tribal concerns
- Sole proprietorships
- Self-employed individuals, and
- Independent contractors described in the Small Business Act
- Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.

***How does the loan forgiveness work?***

The small-business loans can be converted into 'forgivable grants' so long as the company doesn't lay off employees. Payroll costs for laid-off employees won't be forgiven. For each employee who makes less than \$100,000, companies can reduce their wages by up to 25 percent before the amount of loan forgiveness begins to decrease.

***How would my loan be forgiven and when?***

- Your company's expenses for the eight-week period after the origination of the loan will be analyzed.
- Every dollar your company spent on payroll, utilities, rent, or interest on mortgage debt will be added together. That amount will be forgiven, up to the total amount your company borrowed through the program.

**IMPORTANT:** The amount that is forgiven will be reduced for businesses that lay off employees during the first eight weeks following the loan. Companies that reduce wages of employees who make less than \$100,000 per year by 25 percent or more will also have the forgivable amount reduced.

- Businesses that have already let employees go before accepting the loan will not be subject to such penalties. And if those businesses rehire employees after accepting the loan, they'll receive additional credit to cover their wages.