

April 8, 2020

FAQs on COVID-19 Assistance for SMALL BUSINESS

On March 27, Congress passed a sweeping \$2 trillion coronavirus relief bill, called the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, that provided federal funding to assist small business and non-profits impacted by COVID-19. The federal assistance programs include the [Paycheck Protection Program](#), [SBA Debt Relief](#), [Economic Injury Disaster Loans \(EIDL\)](#) and [Emergency Economic Injury Grants](#). Each program is discussed below along with additional information to assist small businesses.

1. Q: Are non-profits and churches eligible for Small Business benefits under the CARES Act?

A: Yes, all 501(c)(3) non-profits and churches with 500 employees or fewer are eligible to apply for the Paycheck Protection Program, Economic Injury Disaster Loans (EIDL) and Emergency Economic Injury Grants through the Small Business Administration.

2. Q: How do I know if my business is a small business?

A: Visit <https://www.sba.gov/size-standards/> to find out if your business meets SBA's small business size standards.

3. Q: I am unfamiliar with the SBA loan and grant process, what resources are available to help me apply?

A: SBA resource partners are available to help guide you through the application process. You can find the nearest Small Business Development Center (SBDC), Women's Business Center, or SCORE mentorship chapter [here](#). We've also provided those contacts for the state of Alabama at the bottom of this document.

Paycheck Protection Program (PPP)

Paycheck Protection Program: The CARES Act established this new guaranteed loan program at SBA to incentivize small businesses to retain their employees by covering payroll during the COVID-19 crisis. This program is an extension of the Small Business Administration's 7(a) lending program, allowing financial institutions to provide \$350 billion in federally guaranteed, forgivable loans to small businesses and non-profits. Provides these entities with low-interest, zero-fee loans of up to \$10 million for a broad range of uses, including (but not limited to) payroll, utilities, rent/lease payments, group health benefits, and other efforts to retain employees. Loan repayments are deferred for at least six months, and loans include an opportunity for partial loan forgiveness for businesses that retain employees and salary levels. Loans are available through June 30, 2020. An additional FAQ sheet about the Paycheck Protection Program from the Department of Treasury is available [here](#).

1. Q: What types of businesses are eligible for a PPP loan?

A: The following entities are available for this program:

- Businesses and entities must have been in operation on February 15, 2020.
- Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that has fewer than 500 employees or fewer employees than established by the relevant industry code.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.
- Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a North American Industry Classification
- System code beginning with 72, for which the affiliation rules are waived.
- Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company.

2. Q: What types of non-profits are eligible?

A: All 501(c)(3) non-profits with 500 employees or fewer, or more if SBA's size standards for the non-profit allows. Please visit <https://www.sba.gov/size-standards/> to find out your non-profit's SBA size standards by number of employees. For example, churches and museums with fewer than 500 employees are eligible. You will need the 6-digit North American Industry Classification Code for your business.

3. Q: How is the loan size determined?

A: Depending on your business's situation, the loan size will be calculated in different ways. The maximum loan size is always \$10 million.

- **If you were in business February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs during the year preceding the loan. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- **If you were NOT in business between February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- **If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020** and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

4. Q: What costs are eligible for payroll?

A: The following costs are eligible for payroll:

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation

- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of State or local tax assessed on the compensation of employees

The following costs are **NOT** eligible for payroll:

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- Compensation of employees whose principal place of residence is outside of the U.S
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

5. Q: What are allowable uses of loan proceeds?

A: The following are the allowable uses of loan proceeds:

- Payroll costs (as noted above)
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations (see exclusions above)
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period

6. Q: How are Paycheck Protection Guaranteed loans made?

A: The SBA's network of 2,500 7(a) lenders will be used to process these loans, and All federal insured depository institutions, federally insured credit unions, and Farm Credit System institutions are eligible to participate in this program to reach as many small businesses as possible.

7. Q: Can I get more than one PPP loan?

A: No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

8. Q: What kind of lender can I get a PPP loan from?

A: All current SBA 7(a) lenders are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including nonbank lenders, to help meet the needs of small business owners.

9. Q: How does the PPP loan coordinate with SBA's existing loans?

A: Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs).

Economic Injury Disaster Loans (EIDL) and Emergency Economic Injury Grants

Economic Injury Disaster Loans (EIDL): *EIDLs are lower interest loans of up to \$2 million, with principal and interest deferment available for up to 4 years that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses. Note: you may apply for both a Paycheck Protection Program Loan and an Economic Injury Disaster Loan, but you cannot use your EIDL for the same purpose as your PPP loan. These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. For EIDLs, the interest rate for small businesses is 3.75% and 2.75% for non-profits. You may apply for an EIDL loan [here](#).*

Emergency Economic Injury Grants: *The CARES Act includes funding to provide an advance of \$10,000 to small businesses and nonprofits that apply for an SBA Economic Injury Disaster Loan within three days of application. The advance does not need to be repaid under any circumstance, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.*

1. Q: Who is eligible for an EIDL?

A: Those eligible are the following with 500 or fewer employees

- Small business concerns (including sole proprietorships, with or without employees)
- Independent Contractors
- Cooperatives and employee owned businesses
- Private non-profits
- Tribal Small Businesses

Those who are eligible for the EIDL and have been in operation since January 31, 2020 are also eligible for the Emergency Economic Injury Grant.

2. Q: How long are Emergency Economic Injury Grants available?

A: January 31, 2020 – December 31, 2020. The grants are backdated to January 31, 2020 to allow those who have already applied for EIDLs to be eligible to also receive a grant.

3. Q: If I have received an EIDL and/or an Emergency Grant, can I also get a PPP loan?

A: Yes. You may apply for a PPP loan regardless of whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP.

4. Q: Are private non-profits that are NOT 501(c)(3)s eligible for an EIDL and a grant?

A: Yes, if you are a private non-profit with an effective ruling letter from the IRS, granting tax exemption under sections 501(c), (d), or (e) of the Internal Revenue Code of 1954, or if you can provide satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law.

Small Business Debt Relief Program

SBA Debt Relief: *The CARES Act includes funding to provide immediate relief to small businesses with standard SBA 7(a), 504, or microloans, including new borrowers to take out an SBA loan within six months of the enactment of the CARES Act. The SBA will cover all loan payments for six months.*

1. Q: Which SBA loans are eligible for debt relief under this program?

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

2. Q: How does debt relief under the debt relief program work a PPP loan?

A: Debt relief under this program will not apply to a PPP loan.

Express Bridge Loans

SBA Express Bridge Loans: *This program allows small businesses that currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan. If a small business has an urgent need for cash while waiting for decision and disbursement on an Economic Injury Disaster Loan, they may qualify for an SBA Express Disaster Bridge Loan.*

Additional Small Business Resources

You can find updated small business guidance and loan resources from the SBA on their website at <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

A list of SBA Express Lenders is available [here](#).

The SBA Alabama 2019-2020 Small Business Resource Guide is available [here](#).

Small Businesses can call SBA's Customer Service Center at (800) 659-2955 or email disastercustomerservice@sba.gov for more information on SBA disaster assistance. Individuals who are deaf or hard of hearing may call (800) 877-8339.

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