



Mornings on Main Webinar “SBA Loan Details” with Lisa Zimmerman, Lender Relations Specialist from the U.S. Small Business Administration (SBA) on April 8, 2020.

The following transcript is the Q & A section of the Mornings on Main Webinar “SBA Loan Details” held Wednesday, April 8, 2020 hosted by Missouri Main Street Connection. The guest speaker, Lisa Zimmerman, is a Lender Relations Specialist in Springfield, MO for the SBA Kansas City District Office. Lisa explains funding opportunities offered by the SBA with the Economic Injury Disaster Loan (EIDL) and Paycheck Protection Program (PPP) loan programs in response to the CARES Act and COVID-19 as well as answers viewers questions.

Keith: “Lisa, we will start with a question from Scott that says ‘Does the SBA count owner draws that are not part of the actual payroll in the expenses?’”

Lisa: “The answer is yes on the EIDL loan you’ll just need to include that in cost of goods sold. On the PPP loan, your lender will guide you as to where they want that owner draw on the application. But typically it is just going in as a part of payroll.”

Keith: “Carolyn asked, ‘The \$10,000 advance I heard it was calculated as \$1,000 per person in the business up to \$10,000. Is that true?’”

Lisa: “At this point the way that it has been calculated has changed um they’ve actually changed the application itself I think like we’re on version 17. So at this point we don’t have and I know this is going to sound crazy but we don’t have a true picture of how they are calculating that. Each of those advances are coming out it is based on payroll but we’re not sure what the calculation is today. I apologize.”

Keith: “Lisa I heard a comment about this is the fastest the SBA has ever or the Federal government has ever reacted to a disaster. Is that why there are so many of these things that are still evolving?”

Lisa: “Yes and if you think about in the past the only direct loan product the SBA has ever offered is disaster. We’ve always... our job is really to allow banks to do more lending so we haven’t done a lot of direct lending and the biggest disaster we’ve had in the past is that not to minimize these but a tornado hits four or five states or a hurricane hits four or five states but we have all of these states plus five territories and within the first eight hours of the EIDL loan when only Washington and California could apply we had 20,000 applications in the first eight hours. So our capacity that’s why things are ever changing because we put something into place and we say ‘ooh, that really is not working for a certain amount of people.’ We want to be able to include those people so we just keep changing things but I only witnessed the programs become more expansive so it isn’t that people being taken off that they can’t apply. What we are seeing are bigger payouts and more people eligible as the changes take place. Our SBA

group, I mean seven days a week really 24 hours a day so we're really trying to get this out to everyone that qualifies.

Keith: "So I have a question that says, 'If you have completed the EIDL as a non-profit and know that it was submitted incomplete, can you re-submit?'"

Lisa: "Yes you can. You can't unfortunately the way the system is set up it has crashed several times. Again I'm sure it's due to just to the volume of people it's trying to accommodate but since the application has changed so many times, you're able to go in and do a new application. You will not be able to enter in your old application number and go back to that application. Also, once you get a confirmation number, you're not going to be able to go in and check. A lot of people are frustrated with this but we just got to be patient. And the system is trying to handle the weight of all the applications. If we had every one apply and come back in to check that application, it would crash immediately. So we're just not able to handle that volume.

Keith: "Okay, I'm going to take a question from Facebook yesterday. One of our directors can't be on the call but she says a lot of her businesses have questions about the FTEs.

Lisa: "Okay, can she be more specific like what is a FTE? Or um what if you let them go and you brought them back or you haven't brought them back?"

Keith: "She didn't explain. Her second question was hopefully they can put the rollover from SBA to PPP for businesses too. It's taking a little bit of research to wrap my mind around this. Does that make sense to you?"

Lisa: "Could you read it one more time?"

Keith: "Hopefully they can put the rollover from SBA to PPP for businesses too."

Lisa: "K... I would need more clarification and I'm sorry."

Keith: "Okay... here's another question, 'It's my understanding that the PPP works by allowing employers to use the funds for payroll, health insurance premiums, rent, mortgage interest, and utilities in order to keep or bring back their employees. The loan will be forgiven if the employers keeps their employees for at least 8 weeks. The question is if the employer has already laid off those employees before collecting or getting the PPP and the employees collect unemployment for a few weeks, is the loan still forgivable? If the employee declines to come back, can the funds be used for another employee?'"

Lisa: "Okay so yes you can bring them back. Yes, if you have an employee that doesn't want to come back you can fill that position cause it's your business still needing staffed. We are being told as of yesterday, that unemployment at least for the state of Missouri. I want to make clear that unemployment is different from state to state. But unemployment for the state of Missouri and Kansas is not going to cause any conflict with any of these SBA products. They are not going to compare against each other and they won't have an effect on each other."

Keith: "So related to that question is, 'Are businesses penalized or is the forgiven amount decreased if the employee quits during the 8 week covered period? Could the business use that amount of employee's payroll to cover their replacement?' I'm assuming another employee without penalty."

Lisa: "Yes. They're not going to folks saying 'Oh, you had John Doe and Sally Doe and Jack Doe and now you have Peter, Paul, and Mary so they're not going to look at that. They just want to see that obviously if you can bring back your employees that you had, that's going to be better for your business since you're not going to have to be training during this time. But if you can't bring back those employees than you can hire new ones. I want to clarify that you can't hire additional employees. Your numbers have to stay, you know, you can't have 10 employees going into this and 20 on the other side saying you paid payroll too. They'll be savvy to that. They'll catch onto that."

Keith: "Okay, good to know. Another questions, a tons of questions coming in but when does the interest start for these products?"

Lisa: "The interest on the EIDL is going to start at the end of 12 months on the loan portion not the forgivable portion. And there won't be interest on the forgivable portion. On the Paycheck Protection Program, PPP, it will start six months after the period if they are not forgiven. If they are forgiven, then there won't be a pay back on it.

Keith: "Okay, many people are wondering if the PPP or the unemployment is better especially hair salon employees, etc. and how would you advise them?"

Lisa: "I think that's going to be a personal decision. You know depending on how much you can get, I would just want to say as, I've spent many years doing business counseling, this is a really great opportunity if you do not, to work on the infrastructure of your business. I know a lot of people are stressing. I've also done a lot of economic development and social work in my past. One of the most valuable lessons I've learned is you can't just constantly be stomping out the fire, you have to stop and take a look at where the fire is coming from. So, in regards to that this is a great time for you step back and work on your businesses instead of working in your businesses. One of the things involved in that is making sure you have a reliable book keeper or accountant. I've had many businesses say to me 'well we can't afford that' I would argue that no matter how big your business is you can't afford to not have a second set of eyes looking at your financials. And I have in over 20 years in the business I have seen very less that I can count on one hand, businesses that didn't make the money the they spent on a bookkeeper or a CPA in the long run.

Keith: "That's really good advice."

Lisa: "Just utilize a bookkeeper, utilize an accountant, you know folks it's time to we are recreating the wheel here. So if finances are an issue look at bartering what businesses, what services does your business supply? Maybe you can trade with a bookkeeper for what maybe

be creative. That's definitely a question for your accountant or bookkeeper which would be better."

Keith: "Candice asked, 'Where to political subdivisions stand?'"

Lisa: "Right now, they are not a qualifying business."

Keith: "Okay. Is there a resource available currently that details the forgiveness process of either the PPP or EIDL?"

Lisa: "On the EIDL it's labeled as forgivable so there's no interest rate tied to it at all so that's pretty clear cut. It's to not be repaid. As far as the PPP, there's a limited amount of information on the applications. Lenders are also asking that questions. They'd really like more clarity on how it can all be forgivable. And they are promising us that we will have that by the end of the day today."

Keith: "The requirement to obtain a loan must include the loan being needed to continue operations during the COVID-19 emergency, what are criteria a business or organization must meet in order to satisfy this qualification?"

Lisa: "Okay on the PPP?"

Keith: "It doesn't signify which on it is referring to."

Lisa: "Okay on the EIDL, once you qualify for the loan and you get the forgivable part, then you know on the loan part itself there's nothing else you have to prove. You have the option to use the money for 30 years or you can pay it back in 12 months, you can pay it back in two months. That one is not an issue with it. On the PPP, we are still looking for very clear cut and I don't blame lenders and borrowers. No we want to make sure what we're getting into. We are kind of going into that program blind but again they are promising by the end of the day today to have clear guidance on what exactly what would make it a forgivable product."

Keith: "One pertaining to non-profits, several non-profits are applying for the \$10,000 advance that have no payroll, rent, etc. Are they eligible for the advance?"

Lisa: "They are eligible for the advance and what I want to remind that is on the EIDL advance program, the way it is worded is 'total sales' and then 'cost of goods sold'. So any moneys you're paying out as a not-for-profit, you still may be renting a building, you still may have to keep the lights on, you have to keep your phones on, if you only have only volunteers and no one else getting paid and you don't have any expenses, then I'm not sure why you would apply for the loan because the loan will not it's not meant to replace lost contracts or lost sales or lost donations. It's meant to cover, the EIDL is meant to cover cost that you are still going to be incurring to keep that business up and running."

Keith: "Okay. And then related to that but on the PPP side this actually came from a National Main Street questions, which I'm sure some of our listeners are interested in. 'Since no one owns a 501 © 3, how are they answering that question on the PPP application?'"

Lisa: The principal is going to be the not-for-profit organization itself. So it won't have a person's name as principle. The lenders are aware of how to handle that issue for the not-for-profit, so they'll be... it will just be the name of the organization. The really great thing, one of the great things about the PPP program is that it does not require a personal guarantee of any kind. The collateral up to \$25,000, no collateral required. Beyond \$25,000 they are only looking at the business assets if you have equity in your home they're not going to touch that. That's a really nice deal. I will doubt that we will see that in lending again.

Keith: "Okay, so take advantage now. We still have many questions coming in and we still have plenty of time, so go ahead and get more questions in there if you have them. Here's the next one Lisa, 'what is the timeline for getting funding from your bank once you've completed the approval process for the PPP?'"

Lisa: "It's going to vary on the backlog of your bank but I know even within the first day they had several billion dollars out so they are doing it as quick as they can. There are just some incentives for banks to do it. The banks are getting a fee for processing these folks so this is helping your local banks stay alive as well during this time. Because it's very difficult for them to do any other type of lending. So SBA is giving them processing fees and so it behooves them to move the money out as quick as they can and get to the next application."

Keith: "And that's a great point you made there Lisa, I think you referenced it at the beginning of your presentation it is that go to your local bank, those folks that you know, that are your neighbors because they are going to get that processing fee. Again as we're all thinking local through this crisis and the local businesses helping get us through that, your banks are in the same boat. So utilize those folks within your community."

Keith: "So next question, are you aware of any funding within the SBA or CARES Act for 501 © 6 organizations?"

Lisa: I would check on of Friday, back with the banks the PPP program and I would encourage you to check back as well on the EIDL either Friday or Monday. Again this program is so fluid, we're trying to get everyone in and know that that's an area they are looking at.

Keith: "Okay. This one is related to churches. Some churches operate under the 501 © 3 like their parent organization like the Southern Baptist Convention. Are they able to apply if they do not have their own 501 © 3?"

Lisa: "If they are operating under a 501 © 3 of a bigger organization, it would be up to the bigger organization to apply on behalf of all of their entities. We've had that question a lot. We're a church but we don't have a 501 © 3 structure. You're not eligible if that's the case."

Keith: "K, 'What is the timeline of the \$10,000 advance once you've submitted?' This person applied over a week ago and hasn't heard anything further."

Lisa: "I completely understand. We are... You should be hearing any day now. Most we had some of those go out in as quick as eight hours at the beginning of the program but again we only had two states involved at that time but now we have all 50 states and five territories, so there is a back log. They're trying to work through those. And literally SBA has taken on... we have revamped everyone's roles so we have a lot of people processing loans right now."

Keith: "Okay, next question Jillian, can any of these be used to pay building leases?"

Lisa: "Yes they can. If you're leasing a building that that would be looking at as the same as rent or mortgage."

Keith: "K. Regina asked that, 'There's an LLC owned and worked by the spouses. They use a lot of temp employees but not on formal pay roll under \$600 a year each, paid hourly, tips, and worker's comp. What can be considered for PPP?' No draw for the owners everything goes back to growing the business."

Lisa: "Okay, so I would wait until Friday to apply because you have those temp employees would probably... but if you're paying workman's comp then I'm assuming that that's an employee you're claiming on the taxes as well. So you should be able to include those employees. You would just want to do some work with your lender to get those percentages right. So they're not lending you more than... so they don't get your amount so high that's it's not going to be forgivable that's kind of the caveat of this so if you just put down that you have 12 employees but they only work 10 hours a week that's definitely going to skew your calculation so I would advise to speak with your lender about how to handle that they're getting training actually they got some last night and they are getting additional today on how to handle those situations."

Keith: "Okay, great. We have quite a few business owners on our webinar today. Here's one from Chris. He's a sole proprietor. 'Is there a program for this type of business?'"

Lisa: "Yes. You can apply now for EIDL and PPP and the advance. Yes. You qualify for everything."

Keith: "Great that answers this next question too of if he would qualify for the EIDL. So Gayla says, 'Many of our Main Street programs are 501 © 3 and they spend much of the income over the year, will they be penalized?'"

Lisa: "Um... No. I want to make sure I understand that question right. You're saying... 'Are you referring Gayla to like that some things are more seasonal? So it won't be touched in the next eight weeks? Or?'"

Gayla: "Lisa what I'm saying is many of our non-profits, you know they are for community benefit and so everything that they bring in they put right back out so at the end of their PNL it

doesn't ever show that they have much income just much sitting there so I was just making for sure as being a non-profit and everything they bring in they put right back out into the community, that they wouldn't be penalized for that."

Lisa: "There are some expenses that... there are somethings that you are... we'll use the example of 'I'm a 501 © 3 but one of our main objectives is we raise funds and donation those to a food pantry.' You're not going to be able to use those donated dollars as an expense.

Keith: "Okay, David has his own business too. He says he's been paying his employees a portion of their normal weekly hours to keep them on the payroll despite being shut down. Assuming he receives the PPP funding soon, 'Would he use those funds for payroll and increase it back up to their normal weekly pay?'"

Lisa: "First of all I want to say good for you David! Way to go, that's awesome. Yes, he can increase back up to the full amount. Also when he applies for the PPP, he needs to let his lender know that situation and there may be a way to wrap those funds he already had going out into the loan as well."

Keith: "Lisa, could he go back and back pay them for the full amount instead of just a portion of their normal weekly?"

Lisa: "It would be up to the lender if they are comfortable with that. But most of them are and that was what I was kind of referring to."

Keith: "Okay, okay. Great. Well that's the end of our questions on the chat function. Let's give folks another minute or two to ask some additional questions. Lisa, 'what other... what are a lot of the other major questions you're getting or fielding that we maybe haven't cover yet here this morning?'"

Lisa: "Um... I apologize Keith. I've answered so many questions over that last couple of weeks, I'm like 'ahh!' A lot of folks are concerned about 'we want to make sure this is forgivable.' I totally understand that we don't know how long this is going to last. What I want to encourage people is that if you don't get your PPP application in today, you're not blown out of the water. A lot of people are worried that the program is going to run out of money. The President and Congress are already putting stops in place to try and get us additional funds for in case these funds do run out. But I will tell you, I'm part of the Kansas City District Office, we cover 89 counties in eastern Kansas and Western Missouri since 1953, we've out \$7 billion dollars in SBA guarantees and that's over what 70 years so this is \$349 billion dollars. I know everybody is applying but don't panic if you're a 1099, there are still going to be funds there for you."

Keith: "Okay, I have a question. In my local community, we had a business that just opened up in February. So they wouldn't have a lot of past records. 'Could they still take advantage of these programs?'"

Lisa: "They can and I'm going to tell you that it's going to be a lot more difficult for them to verify and get funds but I would encourage them to apply. I will say too startups aren't excluded from any of these programs. I mentioned at the beginning of the call about the micro-lenders and our regular 7(a) loan program, if you're a startup or an existing business then I would... and you're needing the money for the growth or development of your company, I would apply for one of those traditional loans programs. The disaster loan products are not designed to fulfill that kind of need. A great example would be of 'I have a small business here in the town I live in Bolivar, Missouri, got a call center, of course a lot of companies are going to be utilizing call centers now instead of face to face representatives. So they say they are looking at growth potential and that's a great example of a business that needs to apply for a microloan depending on the size. Microloans go up to \$50,000. Community Advantage are \$50,000 to \$250,000 and then 7 (a) products \$504,000."

Keith: "Okay, we have another question, 'For a sole proprietor, is the EIDL forgivable?'"

Lisa: "The EIDL is not forgivable. There is a forgivable advance and that portion would be, they would be eligible for that portion."

Keith: "Regina asks, 'On the EIDL, it asks for gross and cost of goods sold but her accountant actually gave costs of goods sold and not other expenses. What does she need to do?'"

Lisa: "She needs to add in the other expenses and that's what I mentioned at the first of the call. It is very confusing language folks, I know that. I looked at it myself and was like 'cost of goods sold?' I mean this is only one small portion but the clarification and guidance we've gotten; you only get two numbers to put in there. 'How much you make' and 'How much you spend'. Think of it like that instead of in the accounting terms for 'costs of goods sold'."

Keith: "Okay. Here's a great question. 'Regarding startups, if they were planning on opening in April but the opening day was push because of the disaster, would they be eligible for disaster funds or should they go for a 7(a) or microloan?'"

Lisa: "Technically, startups are eligible for the disaster loans but if you're not open yet, I think that it may be not as much funding as you would want or need. I would encourage you to look at a 7 (a) or microloan for that. Again, we're not discouraging any one from applying for the disaster loans, but if your business isn't open yet, the number of employees you had on February 15th, you're paying is 0. So, that's going to be what they are going to help you with."

Keith: "Okay and back to Regina where the accountant misunderstood 'the costs of goods sold'. They just need to re-submit a whole new application. 'Is that correct?'"

Lisa: "Yes."

Keith: "Okay, great. Next question is, 'How do the EIDL, how can the EIDL be amended to include all expenses?' So we answered that after Regina's question, they just need to go back and re-submit it. 'Is that correct?'"

Lisa: "Yes. There's no option to modify for that occasion unfortunately."

Keith: "Are there any other questions before we let Lisa get onto her next webinar of GoToMeeting or Zoom conference call? Anybody else? Any last minute questions? Alright, I'm not seeing anybody and I want to remind everybody that we did record this and so we will put this on our... The recording of this on our website at momainstreet.org. We have a COVID-19 resource page it will be included there and you can go back and watch it and get additional information from it. We'll also put the link to the SBA website that Lisa referred to this morning and utilize the great information there. Lisa, one last question I'm going to give you and then we're going to close it out with Gayla. 'What are the criteria of the Community Advantage loan?'"

Lisa: "So the Community Advantage loan, the best way I can describe it and this will not be technical at all. It is if a microloan and a 7 (a) loan had a baby together. So it's going to be a little less stringent on the requirements than a 7 (a) loan. So if you couldn't qualify for a 7 (a) loan, then the Community Advantage loan would be a good fit to get you up in those higher dollars. It does go up to \$250,000. The microloan goes up to only \$50,000 so if you are needing an amount in that gap but you're not strong enough for a 7 (a) then I would encourage you to look at a Community Advantage loan. On the sba.gov website, if you type up 'Community Advantage' into the search it can then notify you and I know all of this is in different states, it will let you know where the closest Community Advantage lender is. If you're in Illinois, Missouri, or Kansas then Justin Peterson is going to be your Community Advantage lender.

Keith: "Alright. Thank you Lisa that what wonderful, great information. You answered a ton of questions which it very valuable. So we appreciate you giving us some time this morning. Gayla, do you want to close us out?"

Gayla: "Yes, thank you Lisa. On our chat side we can see and on my texts, many people have said this has been great. So they've said, 'thank you,' and I say 'all the thank you's go back to you guys.' Thank you for being such great responders, Lisa and for sharing this information with us. It's been extremely helpful. So as Keith said this information will be out there so we can continue to tap into it. I'm sure as things change, we may ask you to come back and do another one of these. So I hope that you will do that for us because it is ever changing it seems like but we're trying our best to stay on top of it. So those that are still with us, you can check out our resources on our webpage. We will work to keep those updated as much as possible. And then also don't forget next week's webinar is really 'Train the Trainer' with a restaurant owner and boutique owner and how they are working through these times to stay in business. We thank all of you guys. You guys have a great day and we'll see you again soon. Thank you."