



If your business has been impacted by COVID-19, we're here to help.

At Northwest, we care about our Small Business and Commercial clients and are committed to helping businesses navigate these challenging times.

As a long-standing Preferred SBA Lender, we have been closely following the SBA and its lending programs for use in COVID-19 relief.

Our experienced team of SBA lenders are well-versed in SBA loan programs and are dedicated to providing your business guidance and advice as the government delivers assistance programs and options to support your business.

Here's what you should know.

On March 27, Congress passed the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) – an estimated \$2 trillion package, which specifically allots \$10 Billion for Economic Injury Disaster Loans (EIDLs) and \$350 billion for Paycheck Protection Loans (PPP) to help small businesses.

At this time, we recommend that businesses consider two types of relief loans:

SBA Economic Injury Disaster Loans

The Small Business Administration's (SBA) [Economic Injury Disaster Loans](#) (EIDLs) are the first line of support. These loans aren't new. They've always been available in the event of disaster. However, this is the first time a virus or pandemic event has been defined as a disaster. Because of that declaration, businesses in every state and territory are now eligible to apply for Economic Injury Disaster loans.

The SBA offers many favorable terms in their EIDLs:

- Loans are up to \$2M
- The term is 30 years
- Interest Rates are 3.75% for small business and (2.75% for non-profits)
- The first month's payments are deferred a full year from the date of the promissory note.

Expanded EIDL (CARES Act) provisions include:

- EIDLs can be approved by the SBA based solely on an applicant's credit score (not repayment ability and no tax return is required). A prior bankruptcy doesn't disqualify your business.
- EIDLs smaller than \$200,000 can be approved without a personal guarantee. They are also not requiring real estate as collateral and will take a general security interest in business property.
- Borrowers can receive \$10,000 in an emergency grant cash advance that can be forgiven if spent on paid leave, maintaining payroll, increased costs due to supply chain disruption, mortgage or lease payments or repaying obligations that cannot be met due to revenue loss. Applicants can get emergency cash even if they don't qualify for additional funds and lending decisions are based on self-certification and the applicant's credit score.
- It expands access to sole proprietors or independent contractors, as well as tribal businesses, cooperatives, and ESOPs with fewer than 500 employees and all non-profits including 501(c)(6)s.

Here's how to apply:

The EIDL programs are not run directly through any bank. **You must apply directly with the SBA Disaster Assistance office**, click here to get started: <https://covid19relief.sba.gov/#/>.

There are no loan fees, guarantee fees or prepayment fees. As of March 30, the new streamlined online application is up and running. Please make sure to apply for Economic Injury for the Coronavirus, rather than physical damage due to another disaster.

For more information please visit: <https://www.sba.gov/funding-programs/disaster-assistance> or call the SBA Disaster National Customer Service Center at (800) 659-2955.

Paycheck Protection Program Loan Guarantee

The CARES Act's Paycheck Protection Program Loan Guarantee offers another source of help. Under this program, the SBA backs small-business loans through local lenders.

Although the SBA isn't currently accepting applications, here are the particulars of the loan program:

- Offered to small businesses with fewer than 500 employees, select types of business with fewer than 1,500 employees, 501(c)(3) non-profits with fewer than 500 workers and some 501(C)(19) veteran organization (have to be in operation before February 15, 2020)
- Self-employed, sole proprietors, freelance and gig economy workers are also eligible to apply (again, you have to be in operation before February 15, 2020).
- Loans are given up to a maximum of the lesser of \$10 million, or 2.5 times the average monthly payroll costs – including wages for employees making under \$100,000, as well as

expenses for paid sick leave, healthcare and other benefits - during the 1-year period before the date on which the loan was made.

- The maximum interest rate under this program is 4%
- The loan term is up to 10 years
- No personal guarantee or collateral is required for the loan
- You can only apply for this program one time – multiple applications aren't permitted.
- Payments are deferred up to 6 to 12 months
- Part of this loan may be forgiven and not counted as income if it's spent during the first eight weeks on operating expenses.

As with the \$10,000 advance in EDILs, loan forgiveness provisions are generous. Loans are forgiven when the proceeds are used for any of these costs:

- Payroll costs, excluding prorated amounts for individuals with compensation greater than \$100,000
- Rent pursuant to a lease in force before February 15, 2020
- Electricity, gas, water, transportation, telephone, or internet access expenses for services which began before February 15, 2020
- Group health insurance premiums and other healthcare costs.

A word of caution... in order for the amounts to be forgiven, businesses must maintain the same average number of employees for the first eight-week period beginning on the origination date of the loan as you did from February 15, 2019 - June 30, 2019 **or** from January 1, 2020 until February 15, 2020. If you don't meet this requirement, the amount forgiven is reduced. You incur additional reductions if you cut compensation for employees who make under \$100,000 by more than 25%, as compared to the most recent quarter. The US Chamber of Commerce offers a step-by-step [calculation here](#).

What to do in the meantime:

We are drafting plans to service business customers as soon as directed by the SBA. You will be able to apply for the Paycheck Protection Loan directly through Northwest.

As a business owner, you must personally certify that your company qualifies as a small business. You can check the [North American Industry Classification System \(NAICS\) small business standards here](#).

You can also help prepare by using [this checklist from the US Chamber of Commerce](#) and contacting your local lender. We've prepared this [simple guide](#) to help you get organized for the loan application process. Here you will find what you need to apply for the loan and SBS forgiveness.

Please call your Northwest business lender if have any additional questions. If you are not a Northwest customer, please contact us at 1-877-672-5678.

Comparison: EIDL vs. PPP Loan Programs

	Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
USES 	<ul style="list-style-type: none"> • Payroll • Fixed Debts • Accounts Payable • Other expenses that can't be paid because of the disaster's impact 	<ul style="list-style-type: none"> • Payroll Expenses • Employee Salaries • Mortgage Interest • Rent and Utilities • Interest on debt incurred before 2/15/20
AMOUNT 	Up to \$2 Million	2.5x average monthly payroll
RATE 	3.75% Annual Percentage Rate	4% Fixed Annual Percentage Rate
TERMS 	Up to 30 Years	No payment for first 6-12 Months then a 10-year term
FORGIVENESS 	0% is eligible for forgiveness	With approval, up to 100%

Other Helpful Links:

- <https://www.sba.gov/>
- <https://www.uschamberfoundation.org/reports/coronavirus-emergency-loans-guide-and-checklist-small-businesses-and-nonprofits>