



A Deep Dive into the CARES Act and Other COVID 19 Financing Options

Amanda Peterson

amanda@ColoradoLendingSource.org

303.657.0010 O

303-657-4817 D

About us



Celebrating 30 years of lending, Colorado Lending Source cares about small business, creating long-term alliances with our lending partners and borrowers, being a resource to empower entrepreneurs, and making Colorado the best state in the nation to start and grow a business. We partner with local lenders, government agencies, and other small business resource to make access to capital more attainable. As a mission-based lender and small business-financing expert, we are committed to fostering the economic growth of diverse small businesses within our communities. Since 1990, we've funded over **3,800 loans** helping to create nearly **29,000 jobs** injecting **over \$4.7 billion into the economy**.

2019 IMPACT...



225
Loans Approved



1,405
Jobs Created



\$330.1 Million
Economic Impact

A woman with short brown hair, wearing a dark sleeveless dress, is smiling and pointing her right index finger towards a large painting on the left wall of a gallery. In the background, another person with glasses is partially visible, looking at a different painting. The entire scene is bathed in a warm, golden-brown light, giving it a vintage or artistic feel. The text is overlaid in the center-left of the image.

**OUR MISSION IS TO FOSTER THE ECONOMIC
GROWTH OF DIVERSE SMALL BUSINESSES
WITHIN OUR COMMUNITIES.**

CARES Act by the \$\$

- CARES Act originally allocated \$349.0 Billion towards the Paycheck Protection Program.
- Funding was exhausted in 14 days.
- CARES Act 2.0 allocated an additional \$310.0 Billion towards the Paycheck Protection Program with \$30.0 Billion allocated towards smaller banks and \$30.0B allocated towards more mission focused lenders such as CDFI's, Community Development Companies (CDC's), etc.
- The \$30.0 Billion allocated towards the smaller banks has been exhausted as of 4/29/2020 and of 4/28/2020 more than \$52.0 Billion in total has been approved.
- EIDL also received additional funding in the amount of \$60.0 Billion and EIDL Program Grants received an additional \$10.0 Billion



Section 1102: Paycheck Protection Loans



Paycheck Protection (PP) loans are available to small businesses, self-employed individuals, “gig economy” individuals, 501C3 nonprofit entities, 501C19 veteran organizations, and tribal businesses during the “covered period” of the Covid-19 crisis.

The covered period for these loans is defined in the Act as beginning on February 15, 2020 and ending on June 30, 2020.

Section 1102: Paycheck Protection Loans



The maximum loan available is capped at 2.5 times the employer's average monthly "payroll costs" during the period March 2019 to February 2020 (there are special exceptions for seasonal employers) OR \$10 million, whichever is less. You must have been in business on 02/15/2020.

The interest rate is 1.00% *[updated late PM 04/02/20]*

The loan term is 2 years / 24 months

No payments for the first 6 months

NON-SEASONAL EMPLOYERS:

Maximum loan =

2.5 X Average total monthly payroll costs incurred during the year prior to the loan date

For businesses not operational in 2019:

2.5 X Average total monthly payroll costs incurred for January and February 2020

SEASONAL EMPLOYERS:

Maximum loan =

2.5 X Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019

Section 1102: Paycheck Protection Loans



For the purpose of calculating a borrower's maximum loan amount under the PP program, the term "payroll costs" is defined in the Act as follows:

For an **employer**, it is the sum of payments of any compensation with respect to employees that includes:

- salary, wage, commission, or similar compensation (NO 1099 PAYMENTS);
- payment of cash tips 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; or
- payment of State or local tax assessed on the compensation of employees.

Section 1102: Paycheck Protection Loans



If you are a partner in a partnership, you MAY NOT submit a separate PPP application for yourself as a self-employed individual. Instead, the self-employment income of general active partners MUST be reported as a payroll cost, up to \$100,000 annualized, on a PPP loan application filed by or on behalf of a partnership.

(updated 04/14/2020)



Section 1102: Paycheck Protection Loans

For a **sole proprietor** or **independent contractor**, you are eligible to apply for a PPP loan ONLY IF:

1. You were in operation on 02/15/2020
2. You are an individual with self-employment income (such as an independent contractor or a sole proprietor);
3. Your principal place of business is in the United States;
4. You filed or will file a Form 1040 Schedule C for 2019.

(updated 04/14/2020)



Section 1102: Paycheck Protection Loans

If you are a **sole proprietor** or **independent contractor**, how you calculate your maximum loan amount depends on whether or not you have employees.

If you have **NO EMPLOYEES**:

1. Step 1: find your net profit for 2019 (Schedule C, line 31) – if this is more than \$100,000, reduce to \$100,000;
2. Step 2: divide this number by 12 (= average monthly #)
3. Step 3: multiply by 2.5
4. Step 4: add the outstanding balance of any EIDL loan you wish to refinance less the amount of any EIDL advance.

(updated 04/14/2020)



Section 1102: Paycheck Protection Loans

If you have **DO HAVE EMPLOYEES:**

1. Step 1: find your net profit for 2019 (Schedule C, line 31) – if this is more than \$100,000, reduce to \$100,000;
2. Step 2: ADD 2019 gross wages and tips paid to employees (line 5c, column 1, quarterly 941 forms) + pretax employee contributions for health insurance and other benefits
3. Step 3; ADD employer health insurance (Schedule C, line 19), retirement contributions, (Schedule C, line 19), and state/local taxes assessed on employee compensation;
4. Divide this total number by 12 (= average monthly #)
5. Step 3: multiply by 2.5
6. Step 4: add the outstanding balance of any EIDL loan you wish to refinance less the amount of any EIDL advance.

(updated 04/14/2020)

Section 1102: Paycheck Protection Loans



For ALL employers, sole proprietors and independent contractors, “payroll costs” DO NOT include:

- the compensation of an individual employee with an annual salary in excess of \$100,000, as prorated for the covered period;
- taxes imposed or withheld under chapters 21 (Federal Insurance Contributions Act), 22 (Railroad Retirement Tax Act), or 24 (Collection of Income Tax at Source of Wages) of the Internal Revenue Code of 1986 during the covered period;
- any compensation of an employee whose principal place of residence is outside of the United States.

Section 1102: Paycheck Protection Loans



Although the program is referred to as the Paycheck Protection program, loan proceeds may assist a business with any of the following types of expenses:

- payroll costs;
- 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, cash tips, retirement contributions, or similar compensations;
- payments of interest on any mortgage obligation (except for any prepayment of or payment of principal on a mortgage obligation);
- rent (including rent under a lease agreement);
- utilities; and
- interest on any other debt obligations that were incurred before the covered period.

Section 1102: Paycheck Protection Loans



From the lender's perspective, in addition to understanding an applicant's average monthly payroll cost number, they must make sure that the borrower:

- was in operation on February 15, 2020; and
- had employees for whom the borrower paid salaries and payroll taxes; or paid independent contractors, as reported on a Form 1099–MISC.

From the borrower's perspective, in addition to documenting their average monthly payroll cost number, they will be asked to make good faith certifications:

- that the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient;
- acknowledging that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments;
- that the eligible recipient does not have a duplicate application pending for the same purposes; and
- during the period beginning on February 15, 2020 and ending on December 31, 2020, that the eligible recipient has not received amounts for the same purpose under any other loan.

Section 1106: Loan Forgiveness



This section allows for Paycheck Protection loans to be eligible to be **forgiven** in whole or part in an amount equal to the sum of certain costs incurred and payments made during the 8-week period beginning on the date of the origination of a PP loan.

The amount of loan forgiveness can't exceed the amount borrowed plus accrued interest, but the amount of forgiveness **will be reduced** if there is a reduction in the number of employees OR a reduction of greater than 25% in wages paid to employees.



Section 1106: Loan Forgiveness

The following costs and payments made during the 8-week period beginning on the date of the origination of a PP loan may be forgiven:

1. Payroll costs (a maximum of \$15,385 per individual).
2. Any payment of interest on any covered mortgage obligation, which the Act defines as any indebtedness or debt instrument incurred in the ordinary course of business that is (a) a liability of the borrower; (b) a mortgage on real or personal property; and (c) was incurred before February 15, 2020;
3. Any payment on any covered rent obligation, which the Act defines as any rent obligated under a leasing agreement in force before February 15, 2020;
4. Any covered utility payment, which the Act defines as any payment for electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.

Late PM on 04/02/20, the SBA updated program rules so the maximum loan forgiveness allowed for non-payroll related costs, i.e. items 2, 3 & 4 above, is now 25%!

Section 1106: Loan Forgiveness



FOR EMPLOYER FIRMS

Average Monthly Payroll Cost number used to apply for the PP loan

Multiplied by

Average Number of Full Time Equivalent Employees per month for the 8-week period beginning on the date of the origination of the PP loan

Divided by

Average Number of Full Time Equivalent Employees per month from **February 15, 2019 to June 30, 2019 (OR January 1, 2020 to February 15, 2020)**

Using this option as an example, if your average monthly payroll cost number was \$50,000 and you have ten full time equivalent (FTE) employees per month on average during the 8 weeks after you get your PP loan, and you had an average of 12 FTEs per month last year between 02/15/19 and 06/30/19, the math would be: $(50,000 \times 10) / 12 = 41,666 = 83.33\%$ of 50,000, which means that 83.33% of the amount you spent on payroll costs, interest on any covered mortgage obligation, covered rent obligation and covered utility payments during the 8-week period beginning on the date of the origination of your PP loan, would be forgiven. Your loan balance would be reduced accordingly, and you would continue to pay the balance of the loan over the term negotiated when the loan was put in place.

Section 1106: Loan Forgiveness



The Act states that there will be **NO reduction in forgiveness** related to reductions in employment and wages that occurred during the period 02/15/20 and 04/26/20 **IF** by June 30, 2020, the borrower has eliminated the reductions in employment and wages, and everything is back to the way it was on February 14, 2020.



Section 1106: Loan Forgiveness

FOR SELF EMPLOYED INDIVIDUALS AND INDEPENDENT CONTRACTORS, WITH OR WITHOUT EMPLOYEES

The actual amount of loan forgiveness will depend, in part on the total amount spent over the eight-week period on:

1. Payroll costs plus benefits, etc.
2. Owner compensation replacement ($8/52 \times$ net profit from Schedule C);
3. Payments of interest on mortgage obligations to the extent they are deductible on Schedule C;
4. Rent payments on lease agreements in place before 02/15/20;
5. Utility payments (can include use of a car).

(updated 04/14/2020)

Section 1106: Loan Forgiveness



To apply for forgiveness, you will need:

- documentation verifying the number of full-time equivalent employees on payroll and pay rates, including:
 - payroll tax filings reported to the Internal Revenue Service; and
 - State income, payroll, and unemployment insurance filings;
- documentation, including cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payments on covered mortgage obligations, payments on covered lease obligations, and covered utility payments;
- certifications that (1) documentation presented is true and correct, and (2) the amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments; and
- any other documents the SBA might add to this list.

EIDL Loans



EIDL loans may be used to pay fixed debts, payroll, accounts payable and other costs; however, they are not intended to replace lost sales or profits and cannot be used for certain purposes. These include to refinance debt, make payments on loans owed to another federal agency, to pay tax penalty obligations, repair physical damages or to pay dividends to stockholders.

The SBA issues the EIDL loans directly at a low interest (3.75% for small businesses) for up to \$2 million and a maturity of up to 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay the loans.

EIDL Loans and the CARES Act



A borrower that receives a Paycheck Protection Program loan for employee salaries, payroll support, mortgage payments and/or other debt obligations would NOT be able to receive an EIDL for the same purpose or co-mingle funds from another loan for the same purpose. However, the Paycheck Protection loan may be used to repay an EIDL loan received prior to April 3rd, 2020.

The CARES Act waives the requirement for personal guarantees on EIDL loan amounts less than \$200,000, and the borrower is not required to have been in business for at least one year. The requirement that borrowers are unable to obtain credit from other sources is also waived on EIDL loans.

WATCH OUT for Scams and Fraud Schemes



Grants

- SBA **does not** initiate contact on either 7a or Disaster loans or grants. If you are proactively contacted by someone claiming to be from the SBA, suspect fraud.

Loans

- If you are contacted by someone promising to get approval of an SBA loan but requires any payment up front or offers a high interest bridge loan in the interim, suspect fraud.
- SBA limits the fees a broker can charge a borrower to 3% for loans \$50,000 or less and 2% for loans \$50,000 to \$1,000,000 with an additional ¼% on amounts over \$1,000,000. Any attempt to charge more than these fees is inappropriate.
- If you have a question about getting a SBA disaster loan, call 800-659-2955 or send an email to disastercustomerservice@sba.gov.

Phishing

- If you are in the process of applying for an SBA loan and receive email correspondence asking for personally identifiable information (PII), ensure that the referenced application number is consistent with the actual application number. Look out for phishing attacks/scams utilizing the SBA logo. These may be attempts to obtain your personally identifiable information, to obtain personal banking access, or to install ransomware/malware on your computer.

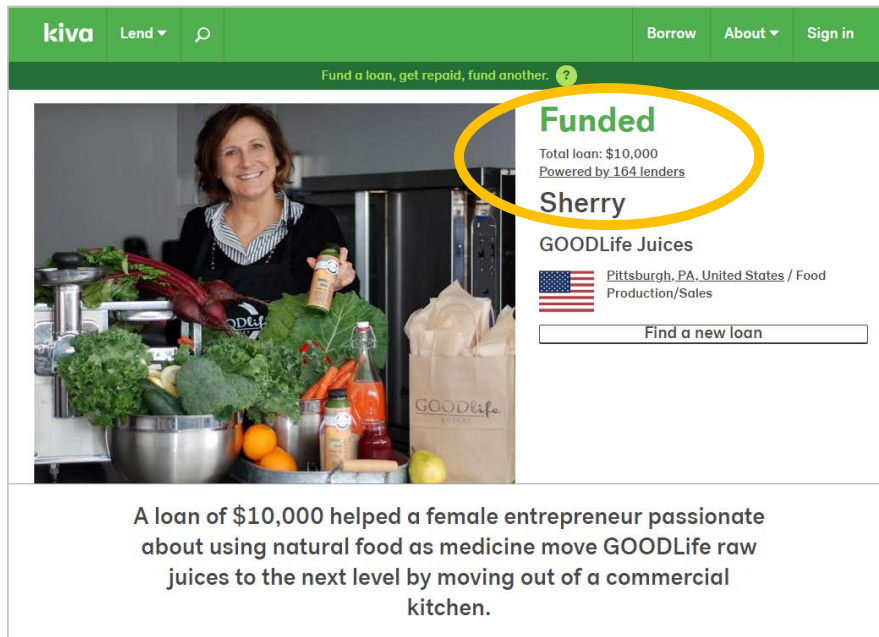
Kiva lending

- Kiva loans are crowdfunded online from a global community of lenders made up of individuals, banks and other organizations.
- Kiva lenders contribute about **\$3 million each week** to entrepreneurs around the world. The **majority of that money is “recycled”** from loans that are being repaid.
- Over \$1 Billion in loans has been lent via the Kiva website



Kiva capital

Kiva loan capital is **crowdfunded** online from people you know and a global community of individuals as well as some teams and corporations.



kiva Lend Borrow About Sign in

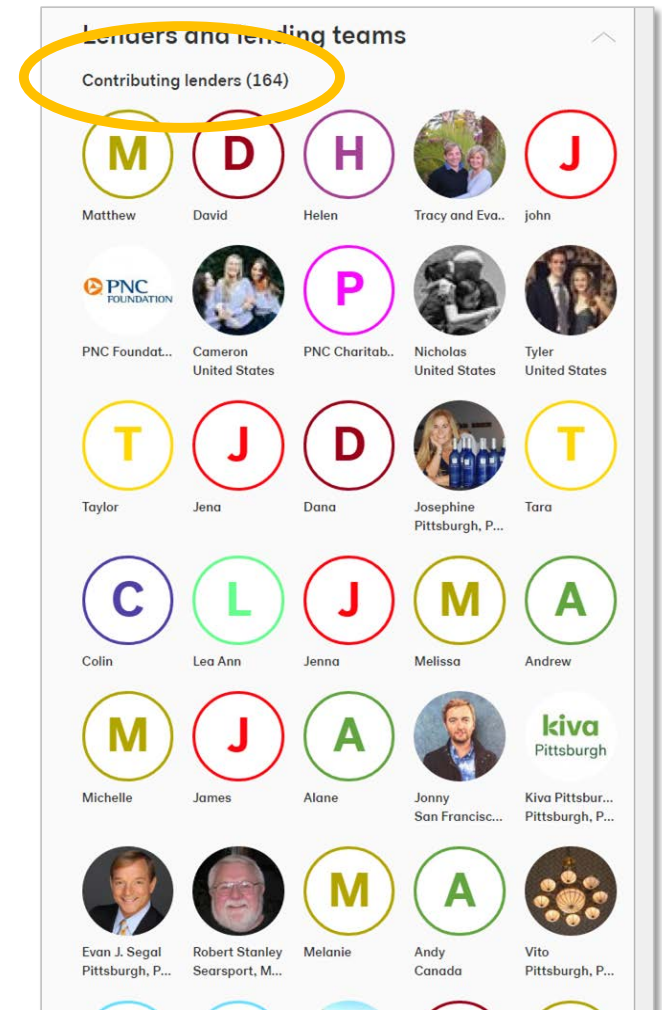
Fund a loan, get repaid, fund another.

Funded
Total loan: \$10,000
Powered by 164 lenders

Sherry
GOODLife Juices
Pittsburgh, PA, United States / Food Production/Sales

Find a new loan

A loan of \$10,000 helped a female entrepreneur passionate about using natural food as medicine move GOODLife raw juices to the next level by moving out of a commercial kitchen.



Lenders and lending teams

Contributing lenders (164)

Matthew David Helen Tracy and Eva... John

PNC Foundation Cameron United States PNC Charitab.. Nicholas United States Tyler United States

Taylor Jena Dana Josephine Pittsburgh, P... Tara

Colin Lea Ann Jenna Melissa Andrew

Michelle James Alane Jonny San Francisc... Kiva Pittsbur...

Evan J. Segal Pittsburgh, P... Robert Stanley Searsport, M... Melanie Andy Canada Vito Pittsburgh, P...

Loan Details, COVID-19 adjustments*

\$1,000 - \$10,000, or \$15,000*

0% interest, no fees

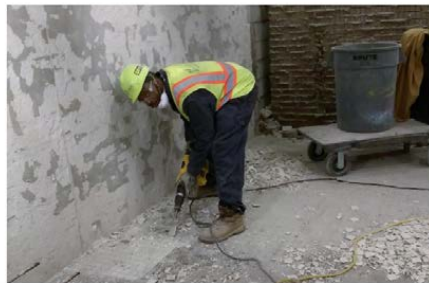
12- to 36-month term

Monthly payments; 6 month grace period

Loans administered via
PayPal (free of charge)

Any loan purpose, except refinancing
existing debt

Public (online)

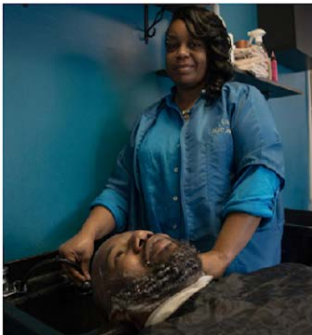


Funded
Total loan: \$3,000
Powered by 52 lenders

Andrew
3D Plastering & Texture
Pittsburgh, PA, United States / Construction

[Find a new loan](#)

A loan of \$3,000 helped expand my business by purchasing equipment so that I can be more efficient and have additional employees working on a job.



Funded
Total loan: \$1,000
Powered by 32 lenders

Kristina
Divinity Hair Studio LLC
Pittsburgh, PA, United States / Cosmetics Salons

[Find a new loan](#)

A loan of \$1,000 helped to purchase equipment & books for the youth mentoring program we run at the salon.

Kiva eligibility requirements

Business owner requirements

- Have or be able to open a PayPal account (requires that you are 18 years old)
- Not currently in bankruptcy or “under water”
- Get a certain number of people in your network to lend to you \$25 each
- Honest and responsive

Ineligible business types

- Things that are not legal nationwide or may cause harm
 - Cannabis and hemp industry
 - Non-FDA approved medical devices
 - Businesses involving adult entertainment
 - Businesses that make or sell lethal weapons
 - Businesses that primarily make or sell tobacco products
- Lending or investing institutions
- Businesses tied to a major corporation
 - Contract workers - ex: Uber, AirBnB
 - Direct sellers - ex: Mary Kay, Sabika
 - Franchises

Kiva steps

Submit a loan application

Entrepreneurs can start a loan application at: www.kiva.org/borrow

Have a Trustee endorse you during this phase.

Contact rsall@clsloans.org to let her know that you are applying.

“CAM” & Kiva Review

Before your application goes to Kiva, I will make sure it meets Kiva’s minimum requirements.

Kiva may approve applications for the amount, a lesser amount, or, very rarely, not at all.

Crowdfunding

Private: Up to 15 days for business owner to invite his/her personal network to lend

Public: Up to 30 days to raise the rest of their loan from Kiva’s global community of 1.8M lenders.

Repayment

Loans are disbursed to owner’s PayPal account in approximately 1 week

All repayments are made monthly via PayPal.

Businesses begin repaying loans one month after receipt of the loan, **6 month grace period during COVID-19 ***

Next steps

- Ready to apply?
 - Online application: www.kiva.org/borrow
 - Email me at rsall@clsloans.org
- Want to meet to discuss further?
 - Contact me at rsall@clsloans.org or kiva@local.denver.org to schedule a phone call

Q&A





THANK YOU!

Mike O'Donnell

mike@ColoradoLendingSource.org

1441 18th Street, Denver CO 80202