

Career Conversations: The Real Scoop on Small Business Funding

Monday, April 20, 2020

Q&A Submissions

Pamela Abramson-Levine 12:04 p.m.

Are sole proprietors who have no employees eligible for small business funds? If yes, how do we apply?

Sole proprietors are eligible both the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan Program (EIDL) that you are hearing about in the news. For PPP, you'll want to connect with your current bank or a local lender to apply. For EIDL, you apply.

Here's links for both programs:

PPP - <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>

EIDL - <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

*****PLEASE NOTE THAT CURRENTLY BOTH PROGRAMS ARE CURRENTLY OUT OF FUNDS BUT IT IS LIKELY THAT A NEW APPROPRIATION WILL BE APPROVED THIS WEEK. SO KEEPING CHECK WITH YOUR LENDERS AND THE SBA SITES.****

Anonymous Attendee 12:10 p.m.

How was it possible for Ruth Chris or Shake Shack to receive SBA PPP loan, in excess of \$10M?

Eligibility for the SBA programs are dependent on how the company is classified based on the [SBA industry size standards](#) and there are allowances for companies that operate multiple sites. The majority of small businesses are under 10 employees and the vast majority of small businesses are sole proprietors - about 23 million in the U.S. I would say the larger discussion item here is not whether you are eligible for a program but whether it is appropriate to pursue a program. As you can see for some of these firms, the negative PR may not have been worth the successful application.

Anonymous Attendee 12:15 p.m.

Can a start up be eligible? LLC registered with Secretary of State 1/20 with Operating Agreement in place, first purchase order signed then cancelled per force majeure. No payroll as of yet but lease, etc.

One of the key checkboxes on the [PPP application form](#) is:

"The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC."

So if you were in operation in January 2020, you would be eligible and sole proprietors are eligible to apply. I would advise talking to your lender about the program and at the same time explore the Pandemic Unemployment Assistance program

https://edd.ca.gov/about_edd/coronavirus-2019/pandemic-unemployment-assistance.htm
which opens April 28.

This is helpful, however it seems all the SBA loans have already been disbursed at this point and the majority, if not all, already went to what most of us would not consider "small" businesses. Ruth's Chris, Shake Shack, etc. How did they get those loans? Was it a loophole of sorts?

See same question above. Loophole is one way to say it but the SBA programs have always been based on the industry classification of the business. What constitutes a small business for an industry like manufacturing is very different for an industry like retail.

Greg Rickman 12:16 p.m.

I did not hear minimum revenue requirements to qualify for the loan, but my understanding is that the loan amounts are calculated using trailing 12-months revenue from Feb 2020. If your business is a self-employed start-up (I am the only employee) from Q4'19 or even Q1'20, and revenues are \$0 (or close thereto), does that mean I cannot get a loan even though I met each of the 3 eligibility requirements you just stated?

Revenue amount is not the issue, monthly payroll and number of employees is what you should focus on. If you have zero in revenues and have not paid yourself a salary, you will have no way of calculating a loan amount. The maximum loan amount is 2.5 times your average monthly salary (regardless of revenue).

The best article I've seen that addresses this is from Entrepreneur magazine - <https://www.entrepreneur.com/article/348710>. It's a moot point right now since the funding has dried up and everyone is waiting for the new appropriation which should come this week. In brief, it comes down to what you report in your schedule and how much you pay out in terms of owner withdrawals. At the end of the day, you'll want to connect with your local lender and talk it out. It might make more sense to pursue the Pandemic Unemployment Assistance program - https://edd.ca.gov/about_edd/coronavirus-2019/pandemic-unemployment-assistance.htm.

David Chou 12:16 p.m.

I have part-timers on my payroll. Will their payroll also be forgiven in the PPP loan?

You have to calculate your average monthly payroll (FTEs and part-time are ok as long as you pay them as payroll and not 1099 contractors).

Greg Rickman 12:18 p.m.

Also, I didn't hear that I must have a pre-existing business loan relationship with a bank, and yet I've not been able to find a lender who will accept my PPE application because I don't have a pre-existing business banking relationship. I use a smallish credit union for my own personal banking and they are not in the SBA program

That is a misconception but something that some of the large banks talked about early on and quickly changed their approach. You do NOT have to have an existing business account or loan with a lender. They may ask you to open up an account (with \$5 or a nominal fee) so that they can deposit funds into that account upon funding but most will just deposit to your business bank account.

Here's an SBA search tool for eligible lenders - <https://www.sba.gov/paycheckprotection/find>. This will become active again once new funds are appropriated.

Kevin Griffith 12:20 p.m.

Small co started 01/06/2020. 4 employees. Planned to start payroll Jan but funding hasn't come through. Still no funds to pay EEs. Under startup rule to use Jan-feb 2020 payroll, can we get PPP loan based on deferred payroll owed to EEs?

The loan amount is determined by your average monthly payroll for either 2019 or the last 12-month period. If you cannot show payroll during these periods, you will not have a basis to calculate your loan amount.

Anonymous Attendee 12:24 p.m.

How should an independent contractor who does not have an existing business banking relationship, go about finding a PPP lender?

You do NOT need an existing relationship. You can approach any lender and apply through their process.

Here's an SBA search tool for eligible lenders - <https://www.sba.gov/paycheckprotection/find>. This will become active again once new funds are appropriated.

Barry Fay 12:24 p.m.

Michael mentioned that if you don't spend at least 75% of your PPP loan on payroll, then none of your loan will be forgiven. I thought the forgiveness would be phased out if you didn't spend at least 75% on payroll, not eliminated completely.

You are correct - the amount of forgiveness decreases from 100% forgiven if you follow the guidelines to less if you do not follow the steps for maximum forgiveness (if you reduce your employee count or reduce their pay by more than 25% or if you do not use 75% on payroll costs).

Stacy Raskin 12:31 p.m.

I have applied at a lot of different lenders for a PPP loan and it's been frustrating to say the least as it's gone nowhere. Do you have any lenders that you would recommend to reach out to and/or ways to research them? Also, what would you recommend to have for paperwork for payroll if you don't do a formal payroll and if you're a one person employee business? Thank you

Here's an SBA search tool for eligible lenders - <https://www.sba.gov/paycheckprotection/find>. This will become active again once new funds are appropriated. Square actually has a decent description of loan documents that they require - <https://squareup.com/us/en/l/sba-ppp-loans>. You'll want to discuss directly with your lender in regards to required paperwork.

For payroll, you can create an Excel document and list the names of employees and their payroll amount for each month in a 12-month period. You will then calculate your average monthly payroll across that period. You will then have to have backup docs to show that you really paid those employees those amounts (tax filings).

Anonymous Attendee 12:33 p.m.

What EDIL loans are available? I applied for a loan that was providing \$1k per employee. I didn't receive any money, and was wondering if there are others that I can still apply for.

Currently the EIDL program is out of funds but it is likely that a new appropriation will be approved this week. Here is the current link for the program: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

Anonymous Attendee 12:33 p.m.

Jamie - Can you clarify how many different banks you applied to for PPE loan?

I applied with the bank (large bank) that I use for business checking, a local credit union (Kinecta), and several other SBA lenders in CA and other states. The lender in CA that ended up working out best for me was CDCloans.com.

Michael Weinper 12:34 p.m.

Once PPP funds are received, how soon must we reactivate employees who have been furloughed or hours reduced.

You need to spend the funds on eligible costs in the following eight weeks after receiving the funds. More details can be found here: <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

"How much of my loan will be forgiven? You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent and utilities payments over the eight weeks after getting the loan."

Anna Liao 12:34 p.m.

Are there other loan programs similar to PPP that provides loan forgiveness or is PPP the only program with possibility of loan forgiveness?

I'm not familiar with any other forgiveable loan currently available at this time. However, if you're looking to learn more about other resources my company create a site that tries to aggregate

everything being offered by federal, state and local entities including nonprofits - <https://www.covid19biztools.com/>.

There are 'grant' programs for different types of businesses and it is best to search daily as new opportunities are popping up all the time.

Anonymous Attendee 12:35 p.m.

I am a sole proprietor (consulting engineer) with no employees, am I eligible for the PPP Loan?

Yes, if you are able to show that you have paid yourself for the previous 12-month period.

Renee Yang 12:35 p.m.

To piggyback on this topic: If we submitted the application 3 weeks ago during the first round, should we submit a new application with the same lender?

Check with your lender to see what the status of your application is but you should apply to multiple lenders to increase your chance for a timely review.

Louis Sandoval 12:36 p.m.

Jamie, you mentioned you uploaded your Dr. License to your PPP application. I did not see that as a request. Was that something you thought would add to your case or was it requested and I missed it?

Usually, the lenders will need proof that you are submitting the application (a real person vs. a samppot) and will ask for some type of proof. I scanned my drivers license and I know others who had to submit copies for all owners to their banks. I also had to do an identity verification when I signed loan docs.

Nasser Aboulela 12:36 p.m.

Do you qualify for PPP loan if you are a sole proprietor with no employees. If not, are there other programs to assist?

Yes. Check out the slide with the url sites to learn about more resources.

Michael Weinper 12:36 p.m.

Must we bring all employees to pre-Covid-19 levels or can we reduce employee hrs. until business demand requires staffing

This all depends on the loan amount that you request. The maximum that you can apply for is 2.5x your average monthly payroll. You can apply for less if you think you are going to operate with a smaller team but if you apply based on 5 employees, you should maintain those 5 employees for the 8-week period if you want forgiveness if you dropped employees after Feb. 15.

According to Treasury, you will owe money if you do not maintain staff and payroll. More details here:

<https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

“How much of my loan will be forgiven? You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. You will also owe money if you do not maintain your staff and payroll. Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount. Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019. Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between Feb. 15, 2020 and April 26, 2020.”

Renee Yang 12:36 p.m.

Would you suggest we switch to a different lender (a union bank for example) from a larger bank like CHASE?

It may be worthwhile to explore all available lending options. The new stimulus measure that is likely to be approved this week includes specific funding to smaller financial institutions.

I would recommend exploring multiple lenders as all of the large banks have taken twice as long to process (in my experience).

Terry Milligan 12:37 p.m.

Does credit score matter for PPP approval?

No.

Sally Kim 12:37 p.m.

Hi! Can Jesse talk a bit more about how those who are sole proprietors should be navigating this current situation? I feel like the only help currently available to sole proprietors is SBA's EIDL. Thank you!

Yes - why do we feel so left out! Sole proprietors and single member LLCs more than represent 23 million of the 30 million businesses in the US. Feel free to contact me with specific questions - jesse.torres@arroyowest.com or @JesseTorresCA - LinkedIn - <https://www.linkedin.com/in/jessetorresca/>, Happy to help point you to resources or check out my webpage <https://www.covid19biztools.com/> - we're keeping it updated with the latest news and resources.

Theo Mavro 12:38 p.m.

After the meeting, would it be possible for Jamie to share some of the banks/ lenders she approached? I understand they all make their determinations differently, but it would be a helpful start as we are in the same area/ local business.

My business bank is Chase. They are just now reviewing the application that was submitted at the start of the PPP process. I also submitted to Kinecta (the credit union that was responsive and I would recommend). I also submitted to several SBA lenders in CA and other states. The one that worked out for me was CDCloans out of San Diego.

Nasser Aboulela 12:39 p.m.

Can you apply for multiple loans concurrently to increase your chances for getting an approval.

Yes, it is best to apply with multiple lenders. You will only be able to get one PPP loan and they will not be able to enter you into the SBA system if you are already entered by another bank so no need to worry about double filing. The first one that processes you is the one you go with.

Shao Bo Zhou 12:42 p.m.

Do you have a list of SBA lenders?

Here's an SBA search tool for eligible lenders - <https://www.sba.gov/paycheckprotection/find>. This will become active again once new funds are appropriated.

Rebecca Hondayamada 12:43 p.m.

What if my business cannot open up within 8 weeks? (Dental office). How does that impact the forgiveness portion of ppp?

So far, the SBA has not been clear with this guidance. Many restaurants are in the same position. I would apply for the PPP loan and then work with your lender re the individual situation as the 8-week period begins after you receive funds.

Anonymous Attendee 12:44 p.m.

Thank you to all the speakers for hosting this webinar. Very usefull! :)

Small Business LLC, Sole Owner

2019: Had 3 Employees including Myself

2020: Sole Employee as of 1/1/2020

Bank rep suggested I apply as an LLC and not self-employed since I still have an EID.

They also suggested that I use the full salary paid for ALL 3 employees as basis of calculation for payroll costs in SBA PPP application. The forgivable portion of the loan will be limited anyhow for just my salary up to the max amount, and I can use 1/1/20-

2/28/20 as the window to compare # of employees prior to covid (1) vs. the 8-week loan use window (1). Does that sound correct to you?

Also, is there any harm/concern if multiple lenders process and approve an application at the same time? (Maybe one agrees to a greater loan amount than another, and that's a good thing?). Thanks!

No, that sounds incorrect. You should apply for the loan to cover the employees you will be paying during the 8-week period. If you use your 2019 basis to max out your loan amount, you will then have a hard time hitting 75% use of funds for payroll and earn forgiveness.

Terry Milligan 12:45 p.m.

Lower paid employees receiving unemployment with the \$600 bonus may not be eager to return to help meet PPP requirements.

That is a big concern for a lot of restaurants and small businesses. They may end up hiring a whole new set of employees if they are unable to convince their old employees to return.

Anonymous Attendee 12:45 p.m.

If I am an independent contractor - all 1099s - who has lost clients during this crisis, am I eligible for any unemployment insurance payments in the State of California?

Yes - check here - online application goes live on April 28 -

https://edd.ca.gov/about_edd/coronavirus-2019/pandemic-unemployment-assistance.htm

Rebecca Hondayamada 12:45 p.m.

How does EIDL grant affect portion of forgiven amount of ppp? Are there restrictions on what EIDL grant can be used for?

Romero Alves 12:48 p.m.

Any info on the SBA up to \$10,000 advance?

The program is currently out of funds and language was changed such that it provides up to \$10,000 per approved application. The new stimulus plan being discussed includes new funding for EIDL.

Laura Soloff-Geller 12:53 p.m.

Cheryl mentioned that restaurants are selling groceries but recently on the news - those restaurants were shut down from selling produce and food products since they are not in the grocery business.

Eater LA has a good article on the specifics of this - <https://la.eater.com/2020/4/2/21203572/los-angeles-county-restaurants-sell-groceries-takeout-health-department-coronavirus>

Anonymous Attendee 01:02 p.m.
Can you recommend some SBA lenders?

*Here's an SBA search tool for eligible lenders - <https://www.sba.gov/paycheckprotection/find>.
This will become active again once new funds are appropriated.*