



The Paycheck Protection Program and Your Small Business

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The coronavirus pandemic has thrust Main Street America into a very challenging and unprecedented economic period. Most businesses have been negatively impacted and millions are in peril. Every owner is justified in their concern for the next few months.

But it's important to remember that we're dealing with a global pandemic like no living person has ever experienced, which has caused an economic crisis, the abruptness of which no living person has ever seen. As I said last week – this isn't your fault. And once we "flatten the curve" of the coronavirus, there's every reason to believe the economy will return to the growth footing we knew only a few weeks ago.

Recent polling we've conducted supports my position for the past three years that, going into this pandemic crisis, the small business sector was financially stronger than any other time in history. In fact, I've held that this financial strength would manifest as the small business sector contributing mightily toward a swifter recovery during our next economic challenge. Of course, I imagined a market-based challenge, not a Black Swan pandemic swooping down to destroy our lives and our living.

Indeed, these are unprecedented circumstances, and small businesses should allow the government to blend their significant financial resources with our organic financial strength to help Main Street deal with this emergency period. Specifically, this includes cash infusion for essentially every small business, from employers to independent contractors to the gig economy folks, who will receive the increased unemployment funds being allocated. There are even funds available for non-profits. Here is an update of my past reports on what's available and what you should do right now – today.

Do this first

Go to SBA.gov and click on the link at the top of the page associated with the Economic Injury Disaster Plan. It will take about 15 minutes to sign up for emergency cash to be deposited directly into your business bank account – up to \$10,000. You'll need to answer a few operating questions about your business for the past year, plus your bank info. You'll find a box that offers the money as a grant. Click it.

Once you can demonstrate you're a bona fide business, according to Treasury Secretary Mnuchin, you'll be notified when the funds are available, which could take a couple of weeks. By the way, this money is from the SBA's Disaster Fund and is separate from the \$350 billion set aside in the CARES Act for SBA-guaranteed loans processed by your bank, which is your next step.

Do this next

Contact your banker and begin the process of applying for the Paycheck Protection Program. This is a loan transaction your bank will handle through a guarantee by the SBA from the CARES Act funds. Tell him/her that you've applied for the SBA disaster funds, which will demonstrate that you've already taken steps to help yourself.

Here's what we know so far about how this SBA/bank funding process works:

The term of the transaction is 2 years, with nothing due until the end. Apparently, the bank will be paid interest and some fees, ultimately covered by the government. Not you.

Your banker will likely tell you to go to their website and complete the enrollment e-form (2 pages) and then bring it and specific payroll documentation to them (if you filled out the form prior to April 3, you'll need to do it again). Follow the instructions on how to calculate your payroll number (easy math). When you enter that number in the e-form, the amount of your loan will be calculated this way: your monthly payroll $\times 2.5$ = your loan amount.

Even though you'll sign a loan document, in a few months you'll be asked to verify the actual payroll elements you paid, which will then be FORGIVEN off your emergency loan.

Additionally, when you verify that during the emergency period you also incurred other specific expenses, like rent, utilities, etc., at least a portion, if not all of that amount, will also be FORGIVEN. That's what the ".5" factor in the above calculation is for.

Last Step

Be thorough with the forms. And then be patient, because unprecedented actions beget bumpy execution. Your bank is being deluged with requests for these funds, even though at this moment – and probably for a few more days – they don't know all the details, or exactly when you'll get the money. Hour-by-hour, they're learning from the SBA and Fed regulators how this unprecedented program will be executed and ultimately reconciled. So, patience, grasshopper.

It's evident to me that our institutions are doing what they can to avoid the collapse of the sector that creates half of the U.S. economy and signs the front of 70 million paychecks every month. As I pointed out last week, when a small business collapses, at least one family collapses.

You likely know that for decades I've encouraged small business owners to do business with a community bank. That advice was proven during the financial crisis of 2008-09 and the overlapping Great Recession when big banks abandoned Main Street while community banks stayed in the trenches – with us. In good times and bad times, community banks are a small business's best friend. This small business owner is the poster child for that position.

Here are organizations I count on for leadership during this emergency period: SBA.gov; your community bank website; SBECouncil.org; NFIB.com; USChamber.com; your local chamber website. For info about taxes – there are some abatements – during the pandemic emergency, go to NTU.org.

In the meantime, small business owners, as the leaders on Main Street, continue to remind America why you're the most admired among all groups, that you don't make long-term decisions in the face of short-term challenges, and that America can count on you. It's what you do.

Write this on a rock ... Believe in yourself as we believe in each other. Surviving is winning. This, too, will pass.

