



→ FINANCE

Emergency Financing

OPTIONS FOR
URGENT, SHORT-
TERM AND MID-
TERM FUNDING

SOURCE: SBA LOAN
FINANCING OPTIONS
WEBINAR FROM
MARCO TERRY

During an April 22 webinar from the National Glass Association, financial expert Marco Terry, managing director of Commercial Capital LLC, provided an overview of emergency financing options for companies. Terry noted urgent funding available for companies in addition to options for short- and mid-term loans from the Small Business Administration.

Urgent funding

Business owners have two opportunities for urgent funding from the SBA: Economic Injury Disaster Loan and an SBA Express Bridge Loan.

Economic Injury Disaster Loan

Companies apply directly to the SBA for EIDL loans, which come in two parts: an advance and a loan.

The advance offers up to \$10,000 in emergency funds and is a grant that does not need to be repaid. It can be used for:

- paying for employee sick leave
- maintaining payroll
- covering increased materials costs
- rent or mortgage
- prior debt that cannot be replayed due to revenue loss

EIDL loans are available up to \$2 million. The payments for COVID relief are deferred for up to a year on a 15- to 30-year loan. The loans:

- are secured by businesses assets
- are approved based on credit score.

Apply for EIDL emergency funds through the SBA website.

SBA Express Bridge Loan

The SBA also offers Express Bridge Loans for companies needing urgent financial support. To be eligible, companies must have an existing relationship with SBA. The loans are available up to \$25,000, and companies can use funds from the EIDL to repay a bridge loan.

Short-term financing

The SBA offers two options for short-term support, including SBA Debt Relief and the Paycheck Protection Program.

SBA Debt Relief

SBA Debt Relief applies to 7(a) Loans, 504 Loans or Microloans. Relief is available for new and existing loans, and the SBA pays principal and interest for six months. Companies can defer payment on the loans until December 2020; however, interest will continue to accrue.

Paycheck Protection Program

The PPP is part of the U.S. government's COVID-19 relief initiatives. Demand has been high for PPP, and the first round of financing was exhausted in less than 14 days. At press time, additional rounds of funding are being considered from Congress. Companies can still pursue PPP in the event more funds become available.

The PPP incentivizes businesses to keep employees on payroll. The loans will be forgiven if 75 percent of the loan is used for payroll (while maintaining salary levels), with 25 percent used for rent, interest on mortgage or utilities. Loan forgiveness is reduced if employee headcount or wages decrease.



PPP loans:

- offer a 1 percent rate with two-year maturity
- are available up to \$10 million
- can be use immediately
- can be deferred for six months
- don't require collateral or personal guarantee.

Companies can apply for PPP if:

- the company has been affected by COVID-19
- it has fewer than 500 employees
- it is run by sole proprietors, independent contractors or self-employed individuals.

Businesses are restricted from the PPP if the owner is on parole, or if the business or owner has delinquent debt with the U.S. government.

Companies apply for SBA loans through lenders. Owners can use the [SBA's lender finder tool](#) to find eligible lenders in their area.

Mid-term financing

For mid-term financing options, companies can look to SBA's 7(a) loan program. The program includes PPP, Caplines, SBA Express and Veterans Advantage. The loans are:

- available up to \$5 million
- 90 percent SBA guaranteed
- available for up to 15 years for equipment
- available for up to 25 years for real estate.

To qualify, businesses or business owners:

- must be able to pay back the loan
- must have never defaulted on a loan
- have a personal credit score above 650
- have a good debt service coverage ratio. ■

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