

Managing Your Cash Flow During the Coronavirus Crisis

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3/27/2020



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About Ami Kassar

Disclaimer

We are in an unprecedented time in history and the information available to us is changing rapidly.

Information provided is based upon our best judgement about what we know at this time, and a decade of experience with SBA lending.

MultiFunding LLC does not accept any liability as it relates to the timeliness or content of the information we are sharing today or may share in the future (and we are under no legal duty to update any such information or recommendations)

We encourage you to check in with your attorneys , CPAs and financial advisors for additional insights.



Payment Protection Program



EIDL / Grants



The Confusing Points



What We Think Happens Next

Overview of Today

Payroll Protection Program

If your business or Non-Profit has fewer than 500 employees, you are eligible for this program. There are a few instances where bigger companies will be eligible.

Sole-proprietors, independent contractors, and other self-employed individuals are eligible.

Some businesses with more than 500 employees per location will be eligible.

Lenders have to determine if the business was operational on February 15, 2020 and had employees for whom it paid salaries and payroll taxes, or a paid independent contractor. There is no prior cash flow assessment.

Borrowers must make a good faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19;

You cannot receive duplicative funds for the same uses from another SBA program.

Who Is Eligible



The covered loan period will be your anticipated expenses beginning on February 15, 2020 and ending on June 30, 2020.



Loan amounts will increase to up to \$10 million through December 31, 2020 – based on payroll size.



Specifies allowable uses of the loan include payroll support, such as employee salaries, paid sick or medical leave, insurance premiums, and mortgage, rent, and utility payments

Loan Amounts and Eligible Proceeds

Maximum Loan Amounts

- Maximum Loan Amounts Are The Lesser of
 - \$10,000,000 or
 - Average Total Monthly Payments of Payroll in 2019 (with some exceptions for seasonal businesses)
 - Health Care Benefits
 - Employee Salaries / Commissions
 - Interest Payments on Mortgage Obligations
 - Rent
 - Utilities
 - Interest on any other debt before the covered period

Payroll Costs Include:

- Salary, Wages, Commission
- Cash Tips
- Vacation, Paternal, Family, Medical or Sick Leave
- Allowance for Dismissal or Separation
- Health Care Premiums
- Pre-Retirement Benefits
- State and Local Taxes related to employment

Independent Contractors / Sole Proprietor

- Whose income does not exceed \$100,000 pro-rated for one year

Exclusions

- Any individual whose salary exceeds \$100,000 during the covered period
- Compensation for any employee outside of the United States

Specifics

Provides an authorization level of \$349 billion for the 7(a) program through December 31, 2020.

Loans are guaranteed 100% by the US Government

These are term loans

There will be no borrower fees for participating in this program.

There is no credit elsewhere tests for funds provided under this program.

There are no collateral and personal guarantee requirements under the program.

Any loan amount that is not forgiven after June 30th, will amortize over 10 years.

The maximum interest rate will be four percent.

There will be no pre-payment penalties.

These loan are non-recourse unless found to be used for unauthorized purposes

Loan payments will be deferred between six months and one year

Loan Attributes

Eligible for Loan Forgiveness

The amount spent by the borrower during an 8-week period after the origination date of the loan on payroll costs

Interest payment on any mortgage incurred prior to February 15, 2020

Payment of rent on any lease in force prior to February 15, 2020,

Payment on any utility for which service began before February 15, 2020.

Amount forgiven cannot exceed the total loan amount.

Eligible payroll costs do not include above \$100,000 in wages.

Your wage expense will be compared to the prior year – to ensure that you have maintained employees.

The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation.

To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.

Allows forgiveness for additional wages paid to tipped workers.

Borrowers will verify through documentation to lenders their payments during the period.

Canceled indebtedness resulting from this section will not be included in the borrower's taxable income.

Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with terms of a max of 10 years, at max 4% interest.

Eligible for
Loan
Forgiveness

EIDL Grants / Loans

Who Is Eligible

- Tribal businesses, cooperatives, and ESOPs with fewer than 500 employees or any individual operating as a sole proprietor or an independent contractor during the covered period (January 31, 2020 to December 31, 2020). Private non-profits are also eligible for both grants and EIDLs

EIDL Grants / Loans

- For any SBA EIDL loans made in response to COVID-19 before December 31, 2020,
 - All personal guarantees will be waived on loan and advances below \$200,000
 - The requirement is being waved that you had to be in business 1 year before the disaster
 - Credit elsewhere requirements are being waved.
- During the covered period, allows SBA to approve and offer EIDL loans based solely on an applicant's credit score, or use an alternative appropriate alternative method for determining applicant's ability to repay.
- Establishes an Emergency Grant to allow an eligible entity who has applied for an EIDL loan due to COVID-19 to request an advance on that loan, of not more than \$10,000, which the SBA must distribute within 3 days.

Grants

- Establishes an Emergency Grant to allow an eligible entity who has applied for an EIDL loan due to COVID-19 to request an advance on that loan, of not more than \$10,000, which the SBA must distribute within 3 days
- Establishes that applicants shall not be required to repay advance payments, even if subsequently denied for an EIDL loan.
- In advance of disbursing the advance payment, the SBA must verify that the entity is an eligible applicant for an EIDL loan. This approval shall take the form of a certification under penalty of perjury by the applicant that they are eligible.
- Outlines that advance payment may be used for providing paid sick leave to employees, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses.

The Confusing Points

- SBA Lines of Credits have been increased from \$350,000 to \$1,000,000 but it's not clear how they will be clear and how they are underwritten.
- It's not clear what the criteria will be for regular 7a loans, including refinancing, over this period.
- We are assuming that the government will be processing the EIDL loans / Grants – but new systems will have to built quickly

What We Think Happens Next

- We Expect A Few Weeks of Chaos Before participating banks and the government are ready. No-one is open for business to start processing these new loans today.

Liquidity to Leverage

Your Line of Credit Should Be Greater of

10% of top line sales

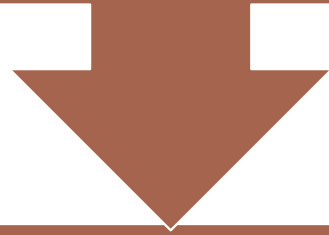
85% of A/R and 50% of Inventory



Deferment of Current Loan Payments

- If you are concerned about your ability to make loan payments over the next few months – it's better to get ahead of it with your lenders and ask for support, then wait.
- SBA is encouraging their lenders to work with borrowers.

Many states and some cities will be offering their own loan programs to help



A list of these resources can be found at
<https://tribe.multifunding.com/post/5e7a6353ac5e5c5a193459fe>

State / Local
Resources

Short Term On-Line Loans



**BEWARE DANGER OF
SHORT-TERM LOANS**



ONLINE SCAMS

Follow Up Resources

- Multifunding On-Line Community q@a: Pls stay engaged
- <https://tribe.multifunding.com/>
- Daily Webinars with Updates
- <https://769yv3el.pages.infusionsoft.net/>
- SBA Disaster Loans
- <https://disasterloan.sba.gov/ela/Information/Index>
- Multifunding
- <https://actomjpr.pages.infusionsoft.net/>
- For private webinar enquiries
 - megan@speaker-nexus.com