



What SBA Loan Should You
Apply For?
*PPP (Paycheck Protection) or
EIDL (SBA Economic Impact
Disaster Loan)?*

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About The Speaker

Lorry Rifkin, CPA has almost 40 years of general business experience. His expertise ranges from accounting, operations, sales, and marketing as an owner and employee.

He has done extensive work in crisis situations doing business turnarounds which is like the COVID business environment we face today. Your business will need to retool Post Covid. Lorry can help you do that in a profitable manner.

He is a generalist in approach and thought process. A critical thinker and agent of change. His personality can provide the details to build a reality that does not exist yet, staff it, write the operating procedures and train the staff.

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About The Speaker

David has been in banking, private business and Economic Development Financing since 1974. He's a former commercial Banker with Marine/Chase & M&I/BMO and has 20 Years with Wisconsin Business Development – the State's largest SBA 504 Lender. He is the owner/president of Phoenix Financial Advisors, LLC, established in 2016. He is the 2014 & 2019 WEDC Governor's "Community Business Development" Award and 2016 SBA "Wisconsin Small Business Champion" Award. David is active on numerous Economic Development Organization Committees. B.A. in Communication Arts from UW Madison. MBA Graduate studies at UW Milwaukee.

High-Level SBA Loan Info For Real Estate Firms



If you pay people as 1099 Independent contractors that is not considered Wages for PPP.



Partnerships can apply for both SBA Loans.



Getting your commissions paid in 8 weeks after loan is important.



Rules are still in transition - new guidelines released last night.



Your 1099 Independent Contractor Sales Agents and Brokers will need to fill out their own Loan request separate from the firm paying them.

Key business considerations for determining which program is best in your situation.

- If you need more than \$25,000 - you will need collateral, possibly including your home.
- If you will need more than \$200,000, each 20% owner (Of your Corporation, LLC or partnership) will have to sign a personal guaranty.
- If you take a PPP loan have a plan to maximize forgiveness by capturing all accountable expenses in the 8 weeks after the loan date.

Frequently Asked Questions

Q1. What are the main EIDL and PPP SBA Loan Points?

Both loans will help cover expenses - not loss of revenue

EIDL – SBA Economic Impact Disaster Loan

- Permitted Uses - Working Capital, Payroll, AP's, fixed debt payments
Up to \$2M
- Deferred payments for 1st 11 months, Up to 30 year payback at 3.75%
- Will require collateral if over \$25K
- Personal guarantees over \$200K
- Apply direct through SBA portal link <https://covid19relief.sba.gov/#/>

(continued) Q1. What are the main EIDL and PPP SBA Loan Points?

PPP – Paycheck Protection Loan

- Up to \$10M, Can be 100% forgivable.
- Unsecured no collateral needed.
- No personal guarantees.
- 100% SBA guaranteed to the Lender.
- Balance after uses and forgiven, financed over 2 yrs at 1%.

Important point for REALTORS:

Commissions Paid to Independent Contractor Agents payments do not count as payroll.

- Calculated by taking average monthly payroll over last 12 mos or 2019 X 2.5 +
- Mortgage interest +
- Rent +
- Utilities +
- Interest on mortgage debt+
- Can be forgivable based on 8-week expenses post loan closing.

(continued) Q1. What are the main EIDL and PPP SBA Loan Points?

PPP – Paycheck Protection Loan

Forgivable based on 8-week post loan date numbers for these items:

- Payroll must be 75% of forgiveness calculation.
 - Number of Staff:
 - Level of Payroll:
- Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.
- 25% based on interest on mortgages, rent, and utilities.

Q2. Are the programs the same for corporations, partnerships and independent contractors as they are for small businesses?

Yes.

Independent Contractors will be able to apply starting April 10.

And by definition, they do not have employees. So they use Schedule C net income instead of payroll.

Q3. Can the two programs be used at the same time?

Yes. With the following considerations:

- You can't double-dip and use both loans for the same purpose.
 - And If you get the EIDL \$10,000 grant it will be subtracted from the PPP forgiveness amount.
- Also based on the collateral and guarantee provision you might want to apply for both but up to a certain amount.
- How your business will come back in the 8 weeks after you get the loan (to determine forgiveness).
- What the future to service these loans will be.

Q4. What are the considerations for each type of loan in the short term and long term? How do I make that determination what is the best fit for me?

You need to consider the previous answer and these additional points.

- Needs and use of the funds you are seeking. I.E what are you using the money for?
- And it depends if you are heavy payroll vs fixed cost company, and how fast you will get back to your 2019 12 mo average payroll.
- Do you want to maximize forgiveness.
- What monthly payback amount can you afford to pay.
- This is best done in a 1 on 1 individual planning session because each situation is different.

Q5. What information will I need before I apply?

EIDL: Info requested with input form need to support payroll i.e. payroll registers, 941 tax forms, copies of benefit plans, cancelled utility, rent, mortgage checks and agreements.

PPP: Generally, complete SBA 7a application checklist items on next slide.

Business Assessment Checklist –for SBA Loan Applications



Phoenix Financial Advisors, LLC

BUSINESS ASSESSMENT CHECKLIST – For SBA Loan Applications

Business Name: _____ Date: _____

- 1) _____ Needs Request (Form)
- 2) _____ Signed Engagement Letter
- 3) _____ Business Survey
- 4) _____ Is your business _____ labor intensive or _____ fixed cost weighted in your operating expenses? (check an "x" next to response)
- 5) _____ Business History & Market Summary or Equivalent Business Plan
- 6) _____ Owners and Key Management Info (Owners of at least 20% must include a photocopy of their driver's license)
- 7) _____ Owners and Key Management- Resume Form or Existing Resume
- 8) _____ Personal Financial Statement (SBA form 413) (required from all individuals with at least 20% ownership)
- 9) _____ Personal Tax Returns (Required from all individuals with at least 20% ownership, to include Schedules C & E) (3 years) & IRS Form 4506-T
- 10) _____ SBA 1919 Form
- 11) _____ Year End Business Financial Statements (3 years)
- 12) _____ Year End Business Tax Returns (3 years) & IRS Form 4506-T
 - 2019 W3, 2019 IRS Quarterly 940, 941, or 944 payroll tax reports
 - Third party payroll processing documents
- 13) _____ Year to Date Business Balance Sheet & Income Statement & Comparable prior YTD
- 14) _____ Accounts Receivable Aging's (Including explanation of any accounts aged over 90 days to tie in with most recent financial statement)
- 15) _____ Accounts Payable Aging's (Including explanation of any accounts aged over 90 day) to tie in with most recent financial statement
- 16) _____ 13 months, monthly statements from 2/28/19 - 2/29/20 SBA Form 1368
- 17) _____ 13-month monthly cash flow projection, assuming revenue loss or decline
- 18) _____ Schedule of Indebtedness with most recent financial statement (SBA Form 2202)
- 19) _____ Affiliate Tax Returns (if an applicant with at least 20% ownership has at least 50% ownership in another entity, that entity is then an affiliate.)
- 20) _____ Environmental Reports (if collateral is required)
- 21) _____ Real Estate Appraisal (if collateral is required)
- 22) _____ Articles of Organization/Incorporation (Operating and real estate entities, if applicable)
- 23) _____ SBA Form 2483- Paycheck Protection Program
- 24) _____ Other

Q6. How do I know if I can get the loan? What is the timing of the payment?

EIDL: SBA will send announcement. Prepare for a slow response from your lender and the SBA – they are swamped.

PPP: Lender will certify application is complete and to the best of their review, is compliant and eligible.

- PPP Lender will submit app to SBA. SBA will send announcement.
- Disbursement – Instructions will be given by bank.
- Every bank is doing this different.

Q7. Will there be extensions if the shutdowns last longer than the loan duration?

Yes – already in the pipeline. Treasury's Mnuchin just said today that more money will be made available.

Q8. What are the risks of applying for the loan?

Virtually none.

- You can go through the application process for the EIDL loan and not sign final papers to accept if you want to back out.
- Exceptions: you were not eligible or committed fraud.
- The loans come with no prepayment penalty so you have no risk of being locked in for the full term.

Q 9.How long will it take to apply?

- 1 hour to fill in the forms.
- 1 to 10 hours to do a complete evaluation thru payback of which loan fits your situation, ability to pay back and design a plan to maximize loan forgiveness.
- As the additional time is dependent on the complexity your situation.

Next Step: Planning through the Business Strategy

Do it alone by:

- Apply for the EIDL Loan directly on the SBA website.
- Apply for the PPP Loan directly with your bank

Seek advice to develop a custom package to:

- Maximize your loan forgiveness.
- Know the maximum loan payback amortizations in advance.
- Have a post loan plan in place.
- Know what to document so you use the funds properly and per program requirements.
- Deal with experts in dealing with crisis like this.

Questions?
