Following up on our member alert from the other day, there is now much more specific information available concerning these economic recovery programs. We know our members vitally need access to working capital. I have summarized both programs below. We will continue to keep you updated.

Spoke to the NJ Economic Development Authority directly and confirmed most of the details needed for our members to make decisions regarding state and federal loan programs.

It appears that the Federal Programs will definitely be preferable.

The Grant Program offered by NJEDA is only for a maximum of $5,000. The State Loan Program is better but will require personal guarantees and collateral.

The Federal Loans established under the Paycheck Protection Program are what you will need to provide the necessary funding and flexibility.
Here is some of the information you will need if you decide to apply for the NJEDA State Loan Program:

· 3 years of business and personal financials for the principals

· Tax Clearance Proof -  
  (https://www16.state.nj.us/NJ_PREMIER_EBIZ/jsp/home.jsp)

· A credit rating of 600 plus for at least one applicant

· Personal guarantee and collateral required

The applications for the NJEDA Loan program as of this writing will be available next Monday, April 6.

The required information listed above for the state programs will also likely be needed to some extent for the Federal Loans so you can get prepared.

The Federal Program details are listed below. It has more streamlined requirements and offers loan forgiveness if employees are paid. These loans will come through FDIC Insured banks where you will apply directly. The reference to NAICS codes below do not apply as long as you meet the first two conditions for the loan stipulations I will keep you informed as the application process opens up. This could occur sometime later this week.

Federal Small Business Interruption Loan Availability (Paycheck Protection Program)

Under this program, the government would provide loans to small and midsize businesses to prevent layoffs and to continue paying employees. Individual loans provided with the intent to cover six weeks of rent and utility payments, certain debt services and payroll, limited to $100,000 of annual compensation per employee. Available to businesses with 500 or fewer employees that continue to employ and pay workers through the coronavirus crisis. Limitations – no stock buybacks, limits on executive bonuses, take steps to protect workers.

· Not available if also taking SBA Loan. For businesses with existing SBA loans, principal and interest would be waived for six months.

· Loans are made through banks. Underwriting and regulatory guidance needs to be developed and is not yet available. A processing fee applies: 5% for loans up to $350k, 3% for loans between $350 and $2M; 1% for loans of $2M or more.
· Forgivable provided meeting certain requirements

· Max loan is the lesser of $10M or 2.5 times the borrower’s average monthly payroll and benefits but appears limited to employees making less than $100K annually. It is expected that the SBA will address in regulation whether any other costs might be applicable. For incomes more than $100K annually, the excess over the threshold reduces the borrowing max.

· Standard SBA fees are waived

· No collateral or personal guarantees

· Maximum maturity of the non-forgiven component of any loan is 10 years, interest at 4% loan repayment can be deferred at least 6 months and up to 12 months

· SBA Express Loans – limit increased from $350k to $1M.

· Loan forgiveness for certain expenses over an 8-week period starting on the date of the loan.

· Forgiveness of the loan is allowed for the total of expenditures that the lender reasonably expects the borrower to expend during this 8-week period for payroll and benefits costs, interest on existing mortgage debt and rent in place prior to 2/15/20, and utilities. (It is unclear if this includes expenses incurred but not paid prior to the date the loan was originated.) Loan forgiveness will not be considered taxable income.

· 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.

Eligibility

· The business was in operation as of 2/15/20, had employees or independent contractors, and was substantially impacted by COVID-19. The business would be expected to provide within its application a good-faith representation stating how they were impacted by COVID-19.

· Any business or nonprofit (private or public) with no more than 500 employees (nonprofits that receive Medicaid expenditures are not eligible)
· Other eligible small businesses include:

  o NAICS Codes starting with 72 so long as fewer than 500 employees per location (hotels, casinos, restaurants, and other travel and entertainment)

  o Franchise operations

  o Licensed small business investment capital companies

· May be eligible even if the entity has access to capital from other sources The SBA has 30 days post-enactment to issue regulatory guidance, which will be necessary to clarify a number of points within the law.