



Navigating SBA Loan Options  
for your Medical Practice

April 2, 2020

Coordinated by:



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## Disclosure

*The following information was created and presented on April 2, 2020. The information is Warren Averett's interpretation at the time of the recording. Please note that the guidance and interpretations are changing daily, so we suggest contacting your advisors for the most current information.*



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Expanded SBA 7(a)



The slide features a blue diagonal graphic in the top right corner. The text 'Expanded SBA 7(a)' is positioned in the upper right area. The Warren Averett logo, consisting of a stylized 'W' and the text 'Warren Averett CPAs AND ADVISORS', is located in the bottom left corner.

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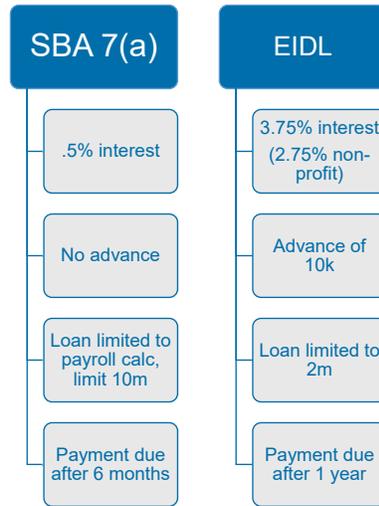
### What is the difference between an SBA 7(a) Loan and an Economic Injury Disaster Loan (EIDL)?

SBA 7(a)	EIDL
Loans made through private lenders	Loans applied for directly with SBA
Potential loan forgiveness	No loan forgiveness
No collateral, personal guarantee	Collateral, personal guarantee (certain limits)
2-year term for portion of loan not forgiven	30-year term

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## What is the difference between an SBA 7(a) Loan and an Economic Injury Disaster Loan (EIDL)?



## Coronavirus Aid, Relief and Economic Security Act (CARES Act)

### Expanded 7(a) Loan Program

- Paycheck Protection Program
- Administered through SBA 7(a) Loan Program
- \$349 billion in federally-guaranteed loans
- Loans will be forgiven if certain requirements are met
- No collateral required
- No personal guarantee required
- "Credit elsewhere" is waived

## Who is eligible under the expanded 7(a) Loan Program?

- Any business, nonprofit organization, self-employed individual, sole proprietorship or independent contractor that has been adversely impacted by COVID-19 will be eligible if that entity:
  - Does not employ more than 500 employees, including full-time and part-time employees
  - Was in operation on February 15, 2020 and paid employees' salaries and payroll taxes or paid independent contractors reported on IRS Form 1099.

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## How does a company demonstrate that it has “been adversely impacted by COVID-19” and is an “impacted borrower”?

- Company must meet the "Borrower Requirements"
  - Make a good faith certification that the uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
  - Acknowledge that the funds will be used to retain works and maintain payroll or make mortgage payments, lease payments and utility payments
  - Certify no "duplication"; no double dipping by applying for multiple loans for the same purpose

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## How is the loan amount determined?



The loan amount is the lessor of:

- 2.5 times the company's average monthly payroll costs incurred in the one-year period before the loan is made (\*most Applicants will use the average monthly payroll for 2019),
- OR
- \$10,000,000

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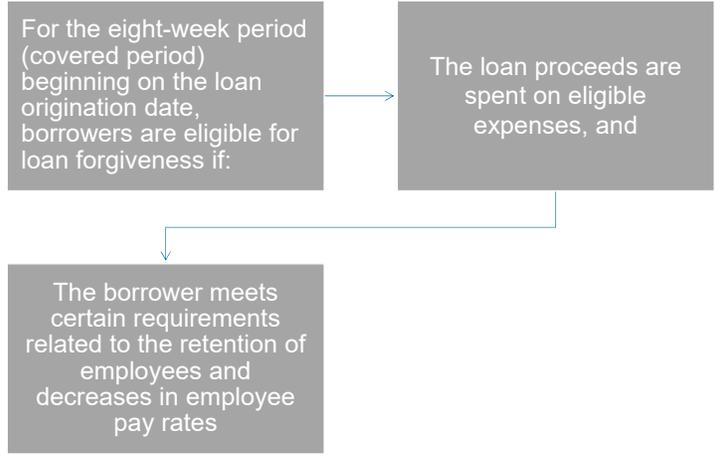
## How are payroll costs defined?

- Payroll costs include:
  - Salary, wage, commission or similar compensation
  - Independent contractors
  - Cash tips or equivalent
  - Vacation, parental, family, medical and sick leave
  - Allowance for dismissal or separation
  - Payment for group health benefits (including insurance premiums)
  - Payment for retirement benefits and state or local payroll taxes
    - *Exclusions:* Compensation of an employee in excess of \$100,000, federal payroll taxes and sick leave paid under the [Families First Coronavirus Relief Act](#), and compensation of an employee whose principal place of residence is located outside of the United States are excluded from payroll costs.

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## How does the loan forgiveness work?



## What expenses are eligible for loan forgiveness?



PAYROLL COSTS



HEALTH BENEFITS



RENT



UTILITIES



INTEREST ON DEBT OBLIGATIONS

## How does the loan forgiveness work (continued)?

- During the covered period, the amount that may be forgiven will be proportionately reduced:
  - Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
  - Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
  - 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

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## How does the loan forgiveness work (continued)?

- The loan forgiveness is not taxable income for federal income tax purposes.
- Any portion of the loan not forgiven will have a term of 2 years, with an interest rate of .5%
- Loan payments will be deferred for 6 months.
- No prepayment penalties or fees.

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## When can I apply?

- o Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- o Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans



**Paycheck Protection Program  
Application Form**

OMB Control No.: 3245-  
Expiration Date: 06/30/2020

Non-Profit <input type="checkbox"/> Vet Org <input type="checkbox"/> Tribal <input type="checkbox"/> Ind. Cont. <input type="checkbox"/> Self Employed <input type="checkbox"/>		DBA or Tradename if applicable	
Business Legal Name			
Business Primary Address		Business TIN (EIN,SSN)	Business Phone
			( ) -
		Primary Contact	Email Address

Average Monthly Payroll:	\$	X 2.5 equals Loan Amount:	\$	Number of Jobs:	
Purpose of the loan (select more than one):					
<input type="checkbox"/> Payroll <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain):					

**Applicant Ownership**

List all owners of Applicant with greater than 20% ownership stakes. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN,SSN)	Address

*If questions (1) or (2) below are answered "Yes," the loan will not be approved.*

Question	Yes	No
1. Is the Business or any owner presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded,	_____	_____

*If questions (1) or (2) below are answered "Yes," the loan will not be approved.*

Question	Yes	No
1. Is the Business or any owner presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Business, any of its owners, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Business or any owner an owner of any other business or have common management with any other business? If yes, attach a listing of all Affiliates and describe the relationship as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Business received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

*Applicants who are individuals and all 20% or greater owners of the business must answer the following questions. If questions (5) or (6) are answered "Yes" or question (7) is answered "No", the loan will not be approved.*

Question	Yes	No
5. Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, on probation or parole?	<input type="checkbox"/>	<input type="checkbox"/>
Initial here to confirm your response to question 5 →	<input type="checkbox"/>	
6. Within the last 7 years, for any felony or misdemeanor for a crime against a minor, have you: 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)?	<input type="checkbox"/>	<input type="checkbox"/>
Initial here to confirm your response to question 6 →	<input type="checkbox"/>	
7. <input type="checkbox"/> I am a U.S. Citizen <u>OR</u> <input type="checkbox"/> I have Lawful Permanent Resident status <input type="checkbox"/> No		
Initial here to confirm your response to question 7 →	<input type="checkbox"/>	

\*Questions 5-7 are to be completed, signed and dated by each applicant who is an Individual as well as each 20% or greater owner of an Applicant Business.

**CERTIFICATIONS**

The Business and each 20% or greater owner must certify in good faith to all of the below by **initialing** next to each one:

- Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- The funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments; I understand that if the funds are used for unauthorized purposes, the federal government may pursue criminal fraud charges.
- Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following this loan will be provided to the lender.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than twenty-five percent (25%) of the forgiven amount may be for non-payroll costs.
- During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under this program.
- I further certify that the information provided in this application and the information that I have provided in all supporting documents and forms is true and accurate. I realize that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- I acknowledge that the lender will calculate the eligible loan amount using tax documents I have submitted. I affirm that these tax documents are identical to those I submitted to the IRS. I also understand, acknowledge and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.



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## **PURPOSE FOR APPLYING**

- The SBA offers low-interest loans to businesses directly affected by nationally declared disasters.
  - The stated interest rate is 3.75% for small business and 2.75% for non-profit organizations
- The SBA's Economic Injury Disaster Loan program allows eligible entities to potentially qualify for loans of up to \$2 million, including an advance of up to \$10,000.
  - Working capital loan to ease the difficulties caused by COVID-19
  - Funds are made available within three days of successful application
  - Loan advance will not have to be repaid

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## BASIC FILING REQUIREMENTS

- Completed SBA Loan Application (SBA Form 5 or 5C)
- Tax Information Authorization (IRS Form 4506T)
  - Applicant
  - Each principal owning 20% or more of the applicant business
  - Each general partner or managing member
- Complete copies of the most recent Federal Income Tax Return
- Schedule of Liabilities (SBA Form 2202) listing all fixed liabilities
- Personal Financial Statements
  - Applicant
  - Each principal owning 20% or more in the applicant
  - Each general partner or managing member

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## APPLICATION PROCESS

- U.S. Small Business Administration Disaster Business Loan Application.
  - This form includes the basic information of the entity applying for the loan as well as information regarding principle owners with ownership interests of 20% or greater
  - Must check what type of loan you are applying for.
    - Economic Injury (EIDL) Loan
- U.S. Small Business Administration Economic Injury Disaster Loan Supporting Information.
  - Financial activity just prior to the COVID-19 outbreak
- Apply directly through: [covid19relief.sba.gov](https://covid19relief.sba.gov)

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 <b>U.S. Small Business Administration DISASTER BUSINESS LOAN APPLICATION</b>		OMB No. 3245-0217 Edition: 03/01/2021
FOR SBA INTERNAL USE ONLY		Date Received: _____ Location: _____ By: _____
Physical Declaration Number	_____	Filing Deadline Date
Economic Injury Declaration Number	_____	Filing Deadline Date
FEMA Registration Number <small>(if known)</small>	_____	SBA Application Number
<b>1. ARE YOU APPLYING FOR:</b>		
<input type="checkbox"/> <b>Physical Damage</b> -- <i>Indicate type of damage</i> <input type="checkbox"/> Real Property <input type="checkbox"/> Business Contents		<input type="checkbox"/> <b>Military Reservist EIDL (MREIDL)</b> <small>(complete the following)</small> * Name of Essential Employee: _____ * Employee's Social Security Number: _____
<input type="checkbox"/> <b>Economic Injury (EIDL)</b>		
<small>PLEASE PROVIDE ALL INFORMATION OR DOCUMENTATION REQUESTED IN THE ATTACHED FILING REQUIREMENTS.                  * For information about these questions, see the attached Statements Required by LARs and Executive Orders.                  Apply online at <a href="https://disasterloan.sba.gov/ela/">https://disasterloan.sba.gov/ela/</a> OR send completed applications to:                  U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, Texas 76155</small>		
<b>2. ORGANIZATION TYPE *Sole Proprietors should complete form 5C</b>		
<input type="checkbox"/> Partnership <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Limited Liability Entity <input type="checkbox"/> Corporation <input type="checkbox"/> Nonprofit Organization <input type="checkbox"/> Trust <input type="checkbox"/> Other: _____		
<b>3. APPLICANT'S LEGAL NAME</b>		<b>4. FEDERAL E.I.N. (if applicable)</b>
_____		_____
<b>5. TRADE NAME (if different from legal name)</b>		<b>6. BUSINESS PHONE NUMBER (including area code)</b>
_____		_____
<b>7. MAILING ADDRESS</b> <input type="checkbox"/> Business <input type="checkbox"/> Home <input type="checkbox"/> Temp <input type="checkbox"/> Other		
Number, Street, and/or Post Office Box    City    County    State    Zip		
_____		
<b>8. DAMAGED PROPERTY ADDRESS(ES)</b> <small>(if you need more space, attach additional sheets.)</small>		<b>BUSINESS PROPERTY IS:</b> <input type="checkbox"/> Same as mailing address <input type="checkbox"/> Owned <input type="checkbox"/> Leased
Number and Street Name    City    County    State    Zip		
_____		
<b>9. PROVIDE THE NAME(S) OF THE INDIVIDUAL(S) TO CONTACT FOR:</b>		
Loss Verification Inspection		Information necessary to process the Application
Name		Name
_____		_____
Telephone Number		Telephone Number
_____		_____

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<b>10. ALTERNATE WAY TO CONTACT YOU</b>	
<input type="checkbox"/> Cell Number	<input type="checkbox"/> E-mail
<input type="checkbox"/> Fax Number	<input type="checkbox"/> Other
_____	
<b>11. BUSINESS ACTIVITY:</b>	<b>12. NUMBER OF EMPLOYEES (pre-disaster):</b>
_____	_____
<b>13. DATE BUSINESS ESTABLISHED:</b>	<b>14. CURRENT MANAGEMENT SINCE:</b>
_____	_____
<b>15. AMOUNT OF ESTIMATED LOSS:</b> <small>If unknown, enter a question mark</small>	
<input type="checkbox"/> Real Estate	<input type="checkbox"/> Inventory
<input type="checkbox"/> Machinery & Equipment	<input type="checkbox"/> Leasehold Improvements
_____	_____
<b>16. INSURANCE COVERAGE (IF ANY)</b> <small>(If you need more space, attach additional sheets.)</small>	
Coverage Type: _____	
Name of Insurance Company and Agent	
_____	
Phone Number of Insurance Agent	Policy Number
_____	_____

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17. OWNERS		(Individuals and businesses.)		Complete for each: 1) proprietor, or 2) limited partner who owns 20% or more interest and each general partner, or 3) stockholder or entity owning 20% or more voting stock.			
Legal Name		Title/Office		% Owned		E-mail Address	
SSN/EIN*	Marital Status	Date of Birth*	Place of Birth* United	Telephone Number (area code)		US Citizen <input type="checkbox"/> Yes <input type="checkbox"/> No	
Mailing Address			City	State	Zip		
Legal Name		Title/Office		% Owned		E-mail Address	
SSN/EIN*	Marital Status	Date of Birth*	Place of Birth* United	Telephone Number (area code)		US Citizen <input type="checkbox"/> Yes <input type="checkbox"/> No	
Mailing Address			City	State	Zip		
* For information about these questions, see the attached Statements Required by Laws and Executive Orders.							
Business Entity Owner Name		EIN		Type of Business		% Ownership	
Mailing Address			City	State	Zip Code		
E-mail Address				Phone			
18. For the applicant business and each owner listed in item 17, please respond to the following questions, providing dates and details on any question answered YES (Attach an additional sheet for detailed responses).							
a. Has the business or a listed owner ever been involved in a bankruptcy or insolvency proceeding?				<input type="checkbox"/> Yes		<input type="checkbox"/> No	
b. Does the business or a listed owner have any outstanding judgments, tax liens, or pending lawsuits against them?				<input type="checkbox"/> Yes		<input type="checkbox"/> No	
c. In the past year, has the business or a listed owner been convicted of a criminal offense committed during and in connection with a riot or civil disorder or other declared disaster, or ever been engaged in the production or distribution of any product or service that has been determined to be obscene by a court of competent jurisdiction?				<input type="checkbox"/> Yes		<input type="checkbox"/> No	
d. Has the business or a listed owner ever had or guaranteed a Federal loan or a Federally guaranteed loan?				<input type="checkbox"/> Yes		<input type="checkbox"/> No	
e. Is the business or a listed owner delinquent on any Federal taxes, direct or guaranteed Federal loans (SBA, FHA, VA, student, etc.), Federal contracts, Federal grants, or any child support payments?				<input type="checkbox"/> Yes		<input type="checkbox"/> No	
f. Does any owner, owner's spouse, or household member work for SBA or serve as a member of SBA's SCORE, ACE, or Advisory Council?				<input type="checkbox"/> Yes		<input type="checkbox"/> No	
g. Is the applicant or any listed owner currently suspended or debarred from contracting with the Federal government or receiving Federal grants or loans?				<input type="checkbox"/> Yes		<input type="checkbox"/> No	

## Warren Averett Coronavirus Resources Page

COVID-19 RESOURCES

Visit Our Coronavirus Resource Center

Warren Averett is acutely monitoring the rapidly-changing coronavirus (COVID-19) situations.

LEARN MORE



<https://warrenaverett.com/coronavirus>

# Questions?



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# Thank You!