

# **Paying Yourself, Your Staff, and Your Bills**

Helping Child Care Programs Understand  
and Navigate SBA Loan Options

National Association for the Education of Young Children



# Presenters

**Lauren Hogan**, *Managing Director, Policy and Professional Advancement, NAEYC*

**Chris Chan**, *Founder & CEO at 3C Strategies*

Overview of the small business support programs

**Carl Hairston**, *Executive Vice President & Chief Lending Officer, Commercial Banking Group*

From the perspective of a banker

**Mary Graham**, *Executive Director, Children's Village*

From the perspective of a child care program

**Nancy Griswold**, *General Counsel, NAEYC*

Intersections between unemployment insurance and PPP

# Logistics & Resources

- All attendees are in listen only mode
- Questions can be entered into the chat box
- You can also email questions to [advocacy@naeyc.org](mailto:advocacy@naeyc.org)
- All registrants will receive an email on Saturday, April 11 with links to the English and Spanish recordings and to resources on both the Paycheck Protection Program and the Economic Injury Disaster Loans
- This presentation is for informational purposes only and should not be considered legal advice. Before making decisions for your business, it is always best to have a conversation with an attorney about your specific circumstances.

# Context

## **Child care is in crisis**

- In a survey from March 12-25, NAEYC found that *nearly 50% of programs said they would not survive a closure of more than two weeks* without significant public investment and support.

In addition to what we are exploring today, these are the first steps of that support:

- \$3.5 billion for the Child Care and Development Block Grant to ensure continued payment and assistance to child care providers who are eligible for CCDBG, and to support child care for essential workers
- \$750 million in grants to Head Start
- Direct payments to qualifying taxpayers of up to \$1,200
- Suspension of payments on federally-held student loans to support the many early childhood educators earning their degrees and credentials

# More support is needed.

To help us be clear with federal and state policymakers about what support is needed, for whom, and when, please complete our current survey at:

<https://www.surveymonkey.com/r/PandemicEffects>

Join the community of early childhood educators, advocates, and allies at:

<https://www.naeyc.org/get-involved/membership/join>

# Overview of Small Business Support Programs

*Chris Chan,  
Founder & CEO  
3C Strategies*



# Coronavirus Small Business Support Programs

**Do I  
Qualify?**

**Which  
Program is  
Right for  
Me?**

**How Do I  
Apply?**

# The SBA has two loan programs to help small businesses during these difficult times

## **Economic Injury Disaster Loans (EIDL)**

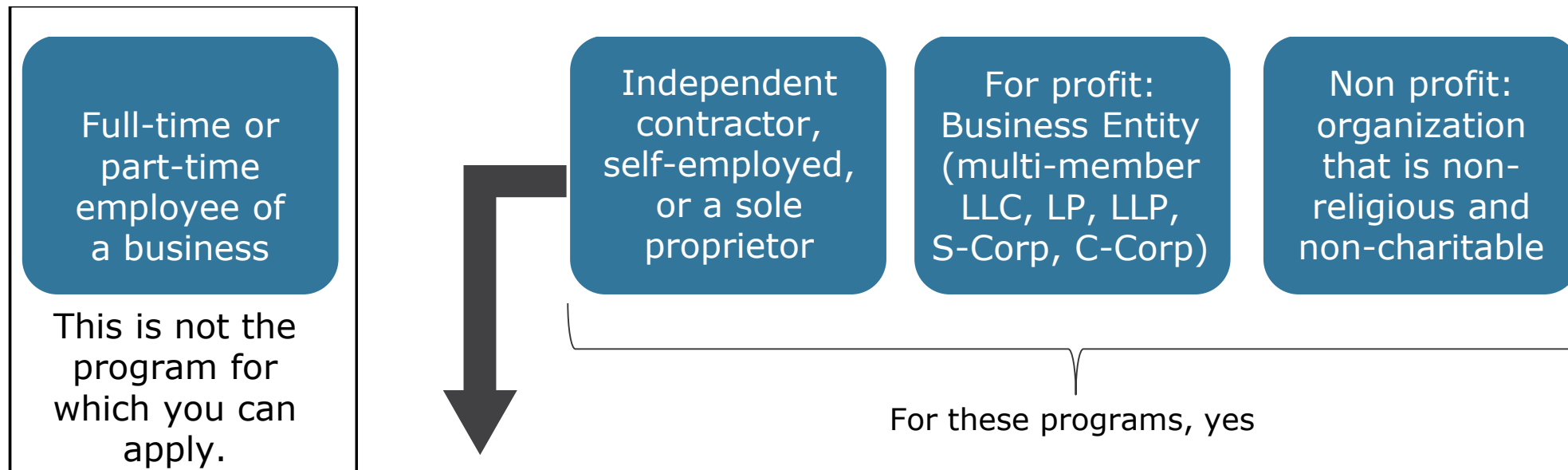
- Loans directly from the SBA
- Loans up to \$2 million
- Loans available through crisis
- Loan can be as long as 30 years
- Loan payments can be deferred as much as a year
- Interest at 3.75% (business) or 2.75% (non-profit)
- Full loan repayment required
- Business assets collateral required on loans over \$25,000. Loans above \$200,000 require personal guarantee
- *Providing up to \$10,000 advances on the loan*

## **Paycheck Protection Program (PPP)**

- Loans from authorized banks & lenders (Not the SBA)
- Loans of 2.5x monthly payroll up to \$10 million
- Loans available until 6/30/20
- Loan can be as long as 2 years
- Loan payments deferred 6 months
- Interest on repaid portions at a fixed rate of 1%
- Partial loan forgiveness with conditions
- No collateral required



# Question: Do I Qualify? – Step 1



If you are an **independent contractor, self-employed, or a sole proprietor**, you are eligible for these SBA loans. You may also be qualified to apply for unemployment benefits with your state under the new law. *This only applies if you can't do your job by telework and did not receive any sort of paid-leave benefit (sick leave, paid vacation, family leave, etc).* Check with your state unemployment agency if you want to consider going this route instead of a small business loan.

# Question: Do I Qualify? – Step 2

1. The new law requires you to have 500 or fewer employees to qualify for these programs.
2. Business must be 81%+ owned by US Citizens or permanent naturalized residents who is/are not in any criminal legal situation and haven't been convicted of a felony within the last five years.
3. There are some special rules for franchises. Franchises are allowed to apply for the PPP loan IF the franchisors must be listed on the SBA Franchise Directory.

**If you're qualified, great! Let's look at which program is best for you.**

# Question: Which Program is Best for Me?

**Note:** *If you have a business financial advisor or planner, it's always recommended that you consult with them as they know the circumstances of your business and can provide customized advice and support.*

## **SBA Economic Injury Disaster Loan (EIDL)**

Uses: fixed debts (ex: business mortgage, business auto loan), payroll, accounts payable (ex: vendor payments, supplies), and other bills that can't be paid because of COVID-19's impact.

Loans can cover costs from  
1/31/2020 – 12/31/2020

Approval factors: business/personal credit score, repayment ability

## **Paycheck Protection Program (PPP)**

Uses: 75%+ of the loan you intend to use for payroll and benefits; 25% for mortgage interest, rent, utilities, fixed debts you had in place prior to 2/15/20

Forgives part of the loan amount if funds used within guidelines

Approval Factors: determined by SBA and individual banks & lenders

# Question: Which Program is Best for Me?

## SBA Economic Injury Disaster Loan (EIDL)

Best if:

- you have bills to pay that you can't pay and you're looking for a bridge to get you through existing expenses in this economic downturn.
- you need a longer period of time to pay off your loan.
- You can't take advantage of the loan forgiveness portions of PPP.

## Paycheck Protection Program (PPP)

Best if:

- you intend to retain your staff, or hire/rehire staff up to the level you had at 2/15/20 for the 8 weeks after your loan is approved.
- your payroll and benefits make up a large amount of your regular expenses and those employees meet the criteria for loan forgiveness.

**Fact:** You can actually apply and be approved for BOTH of these programs. You can apply for PPP loans and other SBA loans, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans. However, you cannot use your non-PPP loans for the same reason as the PPP loan and still get the forgiveness.

# Paycheck Protection Program

## **You should use the PPP primarily for:**

- Payroll cost of full-time or part-time employees up to \$100,000/year per person (including yourself) that you keep on payroll or rehire for 8 weeks after loan is signed
- Paid leave: paid family leave (with some exceptions), sick leave (with some exceptions), medical leave, and vacation time for qualified employees
- Employee severance for qualified employees
- Business share of healthcare benefits, including premiums for qualified employees
- Business share of retirement benefits for qualified employees
- Mortgage interest or rent committed to prior to 2/15/20
- Utilities committed to prior to 2/15/20
- Debts committed to prior to 2/15/20

## **Rules & Restrictions**

- If your employee (or you) makes more than \$100,000/year, any portion above \$100k will not be counted in the loan amount or forgiven
- You must retain or (re)hire employees for 8 weeks after date of loan origination
- Your employees need to have a primary residence in the U.S.
- You must demonstrate these employees have been on your payroll through tax filings or other means.

# Paycheck Protection Program

If you think the PPP is the right program for you, the first step is talk to an approved lender. Most national banks, some smaller banks and some credit unions will be approved, especially if they are an existing 7(a) lender. Ask your bank if it's a SBA 7(a) lender, if they can refer you to one, or go to <https://www.sba.gov/local-assistance/find/?type=SBA%20District%20Office&pageNumber=1> to find your local SBA District Office, which will have a list of SBA 7(a) lenders on their website or a phone number you can call to find out which lenders are 7(a) lenders.

**Find local assistance**

Find  Provided By

Search by keyword

Results 1 - 5 of 110

- Birmingham, AL**  
**Alabama District Office** >  
SBA District Office
- Mobile, AL**  
**Alabama District Office (Mobile Alternate Work Site)** >  
SBA District Office

**Birmingham District Office**  
2 North 20th Street Suite #325  
Birmingham, AL  
Phone: 205-290-7101  
Fax: 205-731-0170

**Locations:**  
Birmingham | Mobile

**About Us**  
The Birmingham District Office serves all 67 counties located in Alabama. The... [MORE >>](#)

**Hours of Operation:**  
Monday through Friday from 8:00 AM to 4:30 PM

**District Director:** Tom Todt  
[Office Directory](#)

**Resource Guide**  
[Alabama District Office Resource Guide](#)  
[National Resource Guide \(En Español\)](#)



# SBA Economic Injury Disaster Loan (EIDL)

- You have to show negative economic impact (difficulty paying bills because of loss of revenue or another legitimate reason) because of COVID-19's impact.
- It can't cover any business growth/expansion or be used for other things outside of the parameters.
- These loans are offered directly from the SBA, so no need to find a lender.

## **How to Apply**

Go to <https://covid19relief.sba.gov/#/> to begin filling out the application.

# Tips on Applying for an SBA Loan

1. Try to collect as much of the information ahead of time as possible. Documents and information you may need include:
  - Payroll tax filing with the IRS/state and local government for all of 2019
  - 1099s, income and expense reports
  - 2019 and 2018 tax returns as filed with the IRS (if you don't have 2019 taxes done that's OK)
  - Proof of business ownership (Certificate of Organization, Articles of Incorporation).
  - Name, Title, Ownership %, and Employer Identification Number (EIN)/Social Security Number (SSN) of anyone who owns more than 20% of the firm.
  - *For PPP:* Proof your business was operational on 2/15/20 and payroll level at 2/15/20.
2. Be confident – you're a successful business owner or you've been running a business as an individual. You have already succeeded in doing something many people don't do – you can do this too. █



# Tips on Applying for an SBA Loan

## **Paycheck Protection Program**

1. Make sure you specifically ask for and get the PPP loan application. If the lender starts talking about other types of loans, remind them you're only there for the PPP loan, and need the loan forgiveness.
2. Don't be discouraged if one bank doesn't agree to give you a loan. Different banks are allowed to set different rules around who they will loan to. If you are declined at one PPP lender, seek out another with the help of the SBA District Office or a resource partner.

## **Economic Injury Disaster Loan**

1. Because the application requires four webpages of info, you can take it one page at a time. You can take a break and come back to the browser after searching for the next set of documents or after calling someone who has them. *Just don't close your browser or hit the back button or go to a different website, otherwise you'll have to start over.*
2. The website is only in English, so if you need translation help ask someone you know who can help you translate the language on the webpage.

# Need More Assistance?

## **SBA and SBA Partner Resources**

SBA's Customer Care Line at 1-800-659-2955

SBA District Office

Small Business Development Centers (SBDC)

<https://americassbdc.org/>

SCORE

<https://www.score.org>

Women's Business Centers

<https://www.awbc.org/>

Veteran's Business Centers

<https://www.sba.gov/offices/headquarters/ovbd/resources/1548576>

# Example: Suzanne

Suzanne and her husband run a small child care facility in a strip mall in Idaho. They have two employees but had to lay off one of them because the economic downturn reduced their income level. They want help to rehire that employee and get help covering the costs of their other employee. Their company has been around since 2017 and they are incorporated.

Suzanne wants to apply for the PPP program to cover the costs of her salary, her husband's salary, the current employee's salary, and the salary of the person they want to rehire, for the 8 weeks after they sign the loan documents. None of them make more than \$100,000 a year. Suzanne also wants to cover the mortgage on her facility, the water bill, electricity bill, and internet bill. She can't afford to pay back all this money right now.

Suzanne is in luck. Most of those costs can be paid for with a Payroll Protection Program loan and forgiven. The only thing she can't cover is her mortgage principal, but she can cover the mortgage interest. If she uses the loan for her total mortgage payment, she has to pay back the portion of the loan used on mortgage principal with some interest to the bank over the next two years, but there are no payments in the first 6 months. The rest of the loan can be forgiven as long as she can document those costs were used for approved reasons.

# Suzanne, Part 2

Suzanne still needs more help. PPP covers the interest on her business' mortgage but what about the principal? Suzanne can file for an EIDL loan for the principal of the mortgage. She also needs help covering the cost of a new website she had built two months ago, not knowing the economic downturn was coming.

## **What does Suzanne do?**

Suzanne goes to the SBA's EIDL application page and starts filling out the information on the page. She calculates how much her mortgage principal costs from 1/1/20 to 12/31/20 and adds that number to the amount she owes the website designer. If she gets stuck, Suzanne calls her friend who does her taxes for her to hopefully help answer some of her questions. She applies for that amount and checks the box to be considered for the \$10,000 advance. If all goes well, Suzanne gets the \$10,000 in as quickly as 3 days to pay off the web designer and gets approved for the total loan amount soon after. Suzanne will also find out how long of a time SBA is willing to give her to pay back the loan, which could be as long as 30 years.

# A Banking Perspective

*Carl Hairston  
Executive Vice President & Chief Lending  
Officer Commercial Banking Group*



# From the Banking Perspective

- Banks are taking on risks too
- You may face additional criteria that banks are putting into place on top of what the SBA loans require
- Your experiences will differ depending on the bank you use
- Documentation has to be stellar

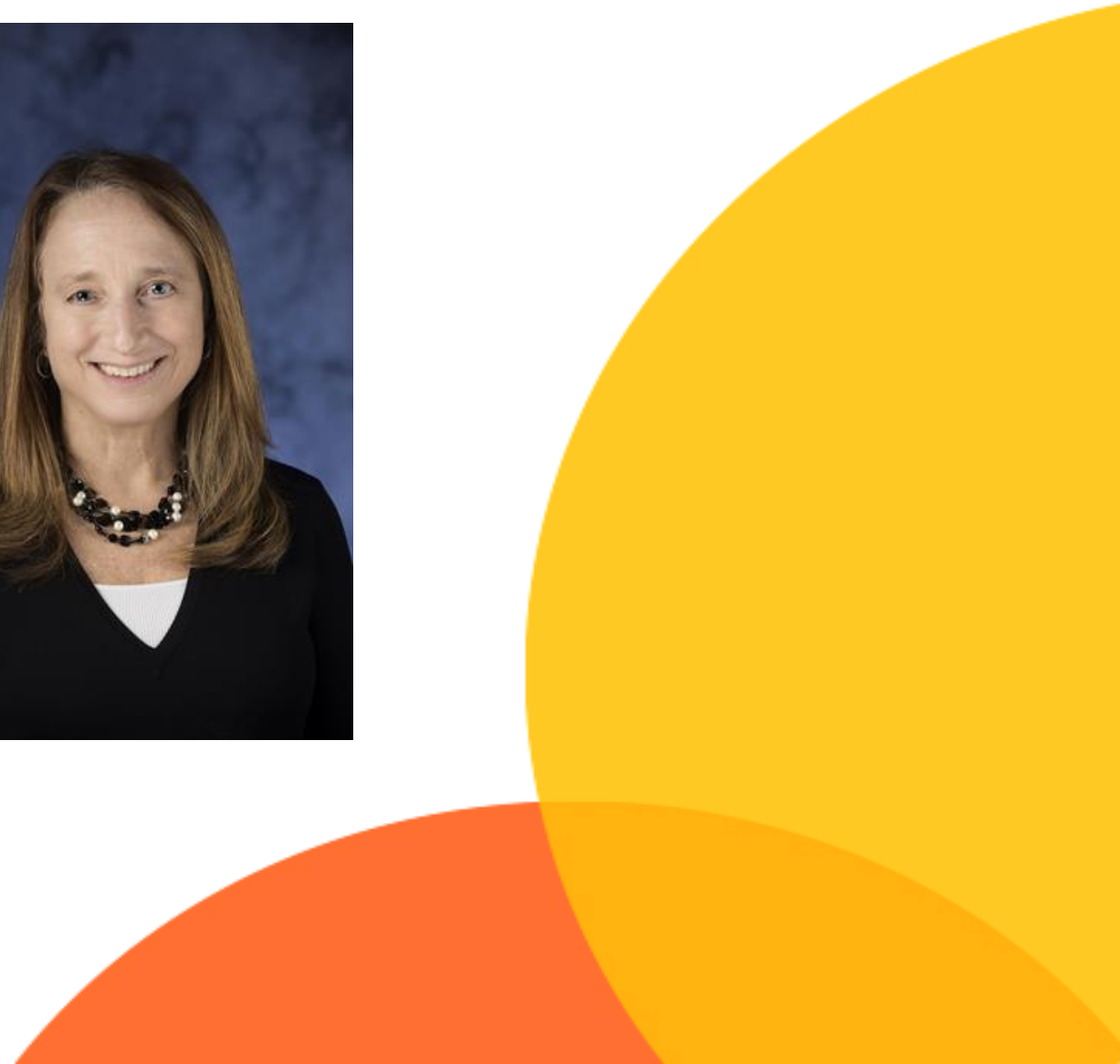
# A Child Care Perspective Q & A

*Mary Graham  
Executive Director  
Children's Village  
Philadelphia, PA*



# Unemployment Insurance & PPP Q & A

*Nancy Griswold*  
*General Counsel*  
*NAEYC*





# Additional Resources to Help

- **COMING WITH THE WEBINAR RECORDING: NAEYC's written resources in English and Spanish on PPP and EIDL with step-by-step guidelines; call-outs on the fine print; examples that lay out the math; and sample forms.**
- [SBA loans immediately available to child care providers](#) (First Five Years Fund)
- [Emergency loans small business guide and checklist in English](#) and [in Spanish](#) (Chamber of Commerce)
- [The small business owner's guide to the CARES Act](#) (U.S. Senate Committee on Small Business and Entrepreneurship)
- [SBA explainer](#) and [Unemployment compensation explainer](#) (Bipartisan Policy Center and Committee for Economic Development)
- [Small business & COVID-19 resources](#) (Main Street Alliance)
- [Coronavirus updates](#) (Child Care Aware of America)

# Questions & Answers

