

Client Alert

COVID-19 and Financial Assistance Available to Small Businesses

The COVID-19 outbreak has had and is expected to have continued major financial impacts to small businesses throughout our country. In this alert, we examine some of the available current avenues and sources of financing to assist businesses with their economic losses due to the effects of the Coronavirus pandemic. As the effects become more widespread and continue for more prolonged periods, it is expected that more vehicles for financial assistance and relief will be made available to individuals and businesses in need of such help, but for now, the below outlines those sources which have become available to date.

SBA – Economic Injury Disaster Loans

The U.S. Small Business Administration (SBA) is now offering low-interest federal disaster loans for working capital to New Jersey small businesses suffering substantial economic injury as a result of the Coronavirus. The SBA acted under its own authority, as provided by the Coronavirus Preparedness and Response Supplemental Appropriations Act that was recently signed by the President, to declare a disaster following a request received from Gov. Philip D. Murphy on March 17, 2020. The disaster declaration makes SBA assistance available in the entire state of New Jersey as well as the contiguous counties of New Castle in Delaware; Bronx, New York, Orange, Rockland and Westchester in New York; and Bucks, Delaware, Monroe, Northampton, Philadelphia and Pike in Pennsylvania.

Small businesses, private non-profit organizations of any size, and other agricultural businesses that have been financially impacted by a temporary loss of revenue or other substantial economic injury as a direct result of the Coronavirus (COVID-19) since Jan. 31, 2020, may qualify for Economic Injury Disaster Loans (EIDLs), to help meet financial obligations and operating expenses which could have been met had the disaster not occurred. The loans can provide up to \$2 million which may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's

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impact, regardless of whether the applicant sustained physical damage. Eligibility for EIDLs is based on the financial impact of the Coronavirus (COVID-19). There are no upfront fees or early payment penalties charged by SBA. The interest rate is 3.75 percent for small businesses and 2.75 percent for private non-profit organizations. SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years and are available to entities without the financial ability to offset the adverse impact without hardship. The actual repayment term will be determined by an applicant's ability to repay the loan.

The EIDL loan application deadline is December 18, 2020. SBA Customer Service Representatives will be available to answer questions about SBA's Economic Injury Disaster Loan program and explain the application process. If applying for Coronavirus (COVID-19) disaster declarations online at: <https://disasterloan.sba.gov/ela/Account/Login>, please only select Economic Injury when inquiring about your business losses. Applicants can also submit completed loan applications to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155. Additional information can be obtained by contacting Mr. A. Escobar, Office of Disaster Assistance, U.S. Small Business Administration, 409 3rd Street, SW., Suite 6050, Washington, DC 20416, or by calling (202) 205-6734.

Private Lender Programs and Assistance

The eight largest banks in the United States, all members of the Financial Services Forum, are accessing a special discount fund known as the "discount window," from the Federal Reserve to provide capital to businesses and individuals in the coming months as Coronavirus takes its toll on the economy. The discount window is a financial tool not utilized since the Great Recession. It supports the smooth flow of credit to households and businesses, by helping depository institutions manage their liquidity risks efficiently and avoid actions that have negative consequences for their customers. Typically, institutions are reluctant to use the discount window for fear that it would signal an institution is under financial distress, however, to combat this reluctance, the Fed has now cut interest rates even lower than during the financial crisis, down to 0.25% from 1.75%.

The discount window is just one way banks are preparing to inject capital into the economy as so many businesses are closed or restricted during the pandemic. Banks have also announced a short-term moratorium on stock buybacks, and the Federal Reserve has lowered reserve requirements for most banks to zero and said it plans to purchase an additional \$700 billion worth of U.S. Treasury bonds and mortgage-backed securities.

One example of a member of the Financial Services Forum's efforts to provide assistance to address the immediate public health and long-term economic challenges from the COVID-19 global pandemic, is the \$50 million global philanthropic commitment from JPMorgan Chase. A portion of these funds will support communities and people hit hardest by this public health crisis through an initial \$5 million to be issued to assist small businesses vulnerable to significant economic hardships in the United States.

New Jersey Economic Development Authority Assistance

On March 19, 2020 the New Jersey State Senate approved 28 bills that make up the “COVID-19 Emergency Response Package”. The bills now go before Governor Murphy for final approval. One of these bills, A-3845/S-2284 would authorize the New Jersey Economic Development Authority (NJEDA) to provide grants during periods of emergency declared by the Governor. Additionally, NJEDA already has an existing portfolio of loan, financing, and technical assistance programs available to support small and medium-sized businesses. The NJEDA has issued a statement that it understands that the coronavirus outbreak is causing disruptions for some businesses that have been approved for State economic development support, including loans, grants, and tax credits and that in light of the declared New Jersey state of emergency, NJEDA is currently reviewing procedures and policies related to all NJEDA support programs. As a first step, the NJEDA is waiving certain specific requirements related to employee presence in the office for the recipients of awards under some of its existing employment-based incentive programs such as the Grow New Jersey Program (“Grow NJ”), the Urban Transit Hub Program (“HUB”), the Business Employment Incentive Program (“BEIP”), and the Business Retention and Relocation Assistance Grant Program (“BRRAG”). More information and programs for assistance are said to be forthcoming in the very near future, but for now, the NJEDA is directing those in need to the aforementioned SBA program for EIDLs.

Additionally, NJEDA is considering relief similar to what was previously utilized in the wake of Superstorm Sandy, by potentially offering forbearance on mortgages for up to 6 months and the corresponding extension of maturity dates for those mortgages for the forbearance period. There is also the possibility of no-interest short term loans to assist businesses in meeting their payroll obligations. Finally, there is the potential for the issuance of grants to small businesses to assist with economic hardships they are experiencing as a result of COVID-19. As the legislature works through the myriad of issues it is faced with, these potential avenues of relief, as well as others are being considered.

United States Treasury Department – Trillion Dollar Coronavirus Package Proposal

The Federal Government is also considering its own proposals for relief from the economic effects of COVID-19. The centerpiece of the Senate Republican proposal, crafted with support from the White House, are direct payments to qualified Americans of up to \$1,200. Married couples could get \$2,400. Taxpayers who earn more than \$75,000 annually will begin to see payments reduced by \$5 for every \$100 they earn over the \$75,000 threshold, with those who make more than \$99,000 getting nothing. Families with children would get \$500 per child.

The GOP plan also outlines provisions to give small businesses federally guaranteed loans, moves back the income tax-filing deadline from April 15 to July 15, provides numerous tax cuts for corporations and financial support for hard-hit industries such as airlines. Of the \$1 trillion, \$300 billion is slated for small businesses, \$500 billion is slated for the aforementioned direct payments, and \$200 billion will go the hard-hit industries via secured loans and loan guaranties by the Fed. The small business loans will be for

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those having up to 500 employees, and will be a business interruption loan to cover up to 6 weeks of payroll expenses in an amount of up to \$1540 per week, per employee, on the condition that the employee must be paid by the business for no less than 8 weeks after the covered 6 week payroll period.

Conclusion

Just like the Coronavirus itself is evolving in real time, so are the many different ideas and responses to the negative economic impact it is causing all over the world. As outlined above, governmental agencies at both the state and national levels are creating programs and policies to help individuals and small businesses deal with these hardships. Private companies and lenders have already started to respond with immediate programs as well as avenues for assistance, and announcements are expected to be made as this event and its effects unfold and are realized across our nation. Our firm will continue to update you on any significant developments regarding COVID-19 related financial assistance, and welcome you to contact our offices here at Sills Cummis & Gross, to inquire about how we may assist you with any needs or inquiries you may have as a result of this novel situation.

If you would like additional information, please contact:

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