



Understanding the Government Financial Resource Options for Your Business

Our Small Business Administration (SBA) Experts



Joe Smith

SVP Manager of Small Business Administration (SBA)

Joe.Smith@exchangebank.com

Over 30 years of Commercial and Small Business Administration (SBA) experience working with small businesses of all sizes and industries



Tony Uribe

VP Small Business Administration (SBA) Underwriting Supervisor

Tony.Uribe@exchangebank.com

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Summer Jeffus

VP Regional Business Development Officer

Summer.Jeffus@exchangebank.com

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Agenda

- Sonoma County and the Coronavirus Economic Impact
- U.S. Small Business Administration (SBA) Loan Program
- U.S. SBA Economic Injury Disaster Loans (EIDL)
 - Which businesses qualify
 - Three-step process for businesses to apply
- Question and Answers

Sonoma County Economic Overview

- Sonoma County small businesses provide about **49 percent of the county's jobs**
- Small business income contributed to **14.2 percent** of the county's total personal income growth, compared to 7.7 percent for the nation



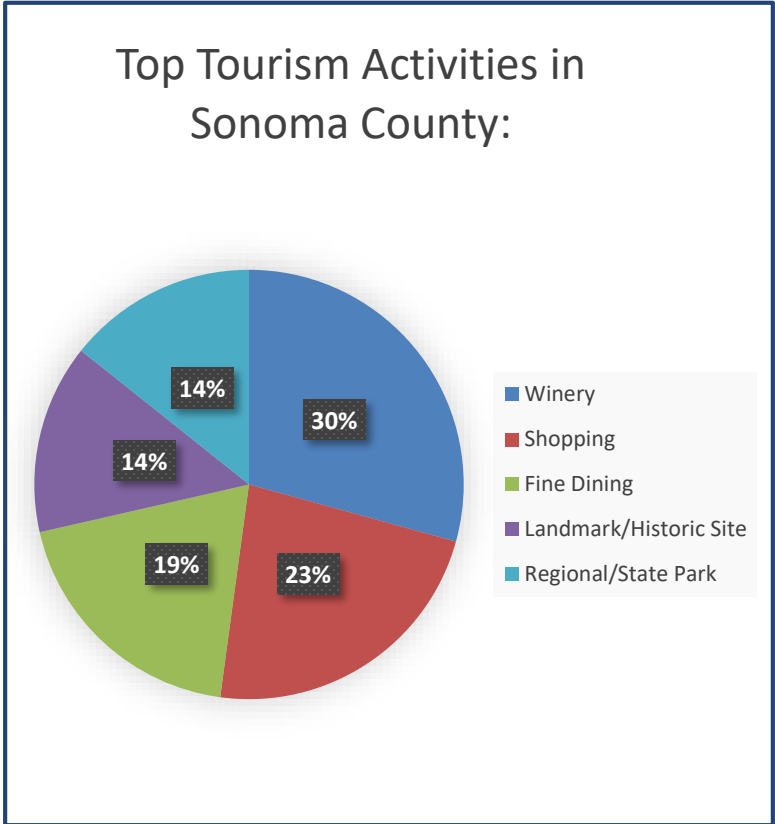
Sonoma County Economic Overview

Tourism generates \$2.1 billion for Sonoma County

Agriculture accounts for \$1.1 billion total value in Sonoma County

Sonoma County welcomed 10.8 million visitors:
6.0 million day
4.8 million overnight

Tourism/hospitality supports 22,300 jobs in Sonoma County
(1 in 10 jobs)



**Tourism Crop report numbers from 2018*

Exchange Core Services

- **Deposit & Cash Management**
- **Commercial, Construction & Real Estate Lending**
- **Trust & Investment Services**
- **Small Business Administration (SBA)**
 - **#1 Small Business Administration (SBA) Lender in Sonoma County**
 - Bank loans made under the SBA program featuring low down payments, flexible terms and enhanced credit criteria
 - Business & Real Estate acquisitions, Construction & Improvement, Working Capital & FFE, Lines of Credit

Small Business Administration

The U. S. Small Business Administration (SBA) was created in 1953 with a mission "to maintain and strengthen the nation's economy by enabling the establishment and viability of small businesses and by assisting in the economic recovery of communities after disasters".

The primary programs it does this though are:

- Loan Guarantee Program offering SBA 7a and 504 loans to small businesses from banks and guaranteed by the Federal Government
- The Disaster Loan Program with direct loans (EIDL) made by SBA to small businesses

Economic Injury Disaster Loans (EIDLs)

- EIDLs are low-interest rate, long-term disaster loans originated-by and managed-by the SBA.
- EIDLs are available to eligible small businesses, small agricultural cooperatives, small aquaculture businesses, and most private non-profit organizations.

Examples of Eligible Businesses:

- Businesses directly affected by the disaster
- Businesses that offer services directly related to the businesses targeted in the declaration
- Other businesses indirectly related to the industry that are likely to be harmed by losses in their community

EIDL Requirements



Credit

- **Credit History**
 - Applicants must have a credit history acceptable to SBA (primarily FICO based)
- **Up to 30 year maturity and amortization**
 - No prepayment penalty
 - Rates as low as 3.75%
- **Loan amounts up to \$2.0 million**
 - Loan amounts over \$500K require borrower to provide financials

Collateral

- **Loans over \$25K require collateral**
 - Business assets, real estate, etc.
- **SBA takes real estate as collateral when it is available**
 - SBA will determine if there is lendable equity in a property
- **SBA will not decline a loan for lack of collateral**
 - Requires borrowers to pledge what is available

EIDL Requirements



Can be used for:

- Meet normal payroll obligations
- Payments on conventional loans or SBA loans which are current and currently not in the process of being repurchased or foreclosure
- Pay-down or pay-off credit cards or lines of credit where funds were used to purchase supplies or inventory
- Cover normal operating expenses such as lease payments, rents, etc.
- Pay an IRS obligation

Cannot be used for:

- Refinance existing long term loans (only to make payments)
- Make repairs to fixed assets
- Purchase fixed assets
- Pay dividends, shareholder debt, distributions to owners and/or related entities
- Agricultural enterprises

EIDL Eligibility

Determining eligibility with a four-part test:

- Location
- Business activity
- Size
- Independently owned and operated business



EIDL Eligibility

Location

- **Applicant business must have a physical presence in the declared disaster area**
 - Economic presence alone in a declared area does **not** meet this requirement
- **Physical presence must be tangible**
 - P.O. Box in the disaster area would **not** qualify as a physical presence

Business Activity

- **Primary activity**
 - The primary industry of the applicant and its affiliated group must be an eligible activity for the applicant to be eligible
- **Loss activity**
 - The activity for which the loss is being claimed must be eligible.

EIDL Eligibility

Size

- The size of the applicant alone (without affiliates) must not exceed the size standard for the industry in which the applicant is primarily engaged; **AND**
- The applicant combined with its affiliates must not exceed the size standard for either the primary activity of the applicant alone or the primary industry of the applicant and its affiliates, whichever is higher

Independently owned and operated

- The principals must have a business risk resulting from investing in facilities and equipment and by incurring ongoing expenses.
- The applicant business must be free from significant control by other parties (i.e., ineligible franchises).

EIDL Ineligible Applicants

- Religious organizations
- Charitable organizations
- Consumer and marketing cooperatives (except small agricultural co-ops)
- Gambling concerns
- Casinos and racetracks
- Concerns engaged in illegal activities
- Lending or investment concerns
- Speculative activities
- Pawn shops
- Real estate developers
- Multi-level sales distribution (pyramid) concerns
- Businesses with principals incarcerated, on parole or probation.
- Concerns not located in a declared disaster area
- Concerns determined by SBA to have credit available elsewhere

EIDL Ineligible Uses of Loan Proceeds

- Refinancing long-term debt
- Paying-down (other than regular installment payments) or paying-off loans provided, guaranteed, or insured by another federal agency



Three Step Process to Apply

U.S. SBA Economic Injury Disaster Loans

EIDL Three Step Process: **ONE**

Apply for the loan:

- Online, in-person at a disaster center or by mail
 - **Apply online** disasterloan.sba.gov/ela or sba.gov/coronavirus
- **Small Business**, small agricultural cooperative, small business engaged in aquaculture or private non-profit organization borrow up to \$2 million for economic injury
- **Homeowner:**
 - Borrow up to \$200,000 to repair/replace your disaster damaged primary residence
 - Homeowner/renter: up to \$40,000 to repair/replace damaged personal property

EIDL Three Step Process: **TWO**

Property Verified & Loan Processing Decision Made:

- SBA **reviews your credit** before conducting an inspection to verify your losses
- SBA verifier will **estimate** the total physical loss to your disaster damaged property
- A SBA loan officer will determine your **eligibility** during processing
- A SBA loan officer works with you and **decision on application within 2 - 3 weeks**

EIDL Three Step Process: **THREE**

Loan Closed and Funds Disbursed

- SBA will prepare and send your loan closing documents to you for your signature
- Once SBA receives signed loan closing documents, an initial disbursement will be made to you within five (5)days:
 - Physical damage: \$25,000
 - Economic injury (working capital): \$25,000 (plus physical damage)

Exchange Bank Resources Provided After WebEx

- Three Step Process SBA Economic Injury Disaster Loan Process
- **Apply Online** disasterloan.sba.gov/ela or sba.gov/coronavirus
- **Paper Applications:**
 - <https://disasterloan.sba.gov/ela/Information/PaperForms>
- **Email to:** Ela.doc@sba.gov

If you are an Agricultural Enterprises:

- Businesses primarily engaged in agriculture are not eligible for Economic Injury Disaster Loans (EIDL) unless they also have a non-agricultural, separable component.
- USDA has its own disaster relief program:

Apply Online

https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/index?utm_source=landing&utm_medium=spotlight&utm_content=spot8&utm_campaign=fsadisasters

Questions?

Please type your anonymous question in your
WebEx chat box

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