

## MACOMB COUNTY SMALL BUSINESS COVID-19 Paycheck Protection Program Edition

It now appears that the **Paycheck Protection Program (PPP)** is the small business equivalent to toilet paper. Between **media reports** and **few lenders accepting applications**, this has turned into a frenzy. I had been advising that companies may want to wait a few days as the bugs in the application process were worked out, but now I am advising that you **apply as soon as possible**.

### Recommended steps

1. **Small businesses and sole proprietors** can apply right away. **Independent contractors and self-employed** have to wait until April 10
2. **Review application.** This may not be the same one that the lender will require, but I am guessing that it probably has the same information.
3. The loan will be fully forgiven if the funds are used for **payroll costs, interest on mortgages, rent, and utilities** (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll).
4. I have included the **formula** later in this email for those of you who really want it. However, the lender will do this step so it is not essential that you completely understand. For questions on what is included in payroll costs, the formula or any other item, please see #5.
5. If you have questions, here is the **SBA Interim Rules**. Other questions? **Ask the lender** when applying. There are lots of parts to this process that have yet to be written. The **biggest banks will not implement** the program because of how little information there is.
6. If you have applied for **Economic Injury Disaster Loan (EIDL)**, I wouldn't worry about repeating some of the same expenses. Since PPP is first, you should maximize what it will cover since part may be forgivable and the other part is a 1% 2-year loan. When your EIDL is approved, the process will include subtracting any funds you already received from other programs.
7. If you have not applied for **EIDL, you should** if you qualify. Now it is a much easier application. Also, **if you have been denied**, apply again.
8. Here are the **lenders** that we have been given who are accepting applications in the tri-county area as of 4/3. Here is the **list of all the lenders** in Michigan.

- **First Independence Bank**, 44 Michigan Ave., Detroit, Beth Bowl (313) 256-8441 [BBowl@firstindependence.com](mailto:BBowl@firstindependence.com)
- **Community Choice CU**, 31155 Northwestern Highway, suite 188, Farmington Hills, Dan Munro (877) 243-2528 x1106 [dmunro@communitychoicecu.com](mailto:dmunro@communitychoicecu.com)
- **Oxford Bank** 28552 Orchard Lake Road., suite 300, Farmington Hills, Genevieve Hall (269) 506-3697 [ghall@oxfordbank.com](mailto:ghall@oxfordbank.com)
- **Chief Financial FCU**, 200 Diversion St. Farmington Hills, Thomas Dluzen (800) 844-5440 x1116 [tdluzen@chiefonline.com](mailto:tdluzen@chiefonline.com)
- **Citizens Bank**, 27777 Franklin Drive, MH 1810 , Southfield, Jacqueline Woodstock (248) 226-7776 [jacqueline.m.woodstock@citizensbank.com](mailto:jacqueline.m.woodstock@citizensbank.com)
- **Celtic Bank**, 2565 W. Maple Road, Troy Jeff Rauth (248) 885-8797 [jrauth@celticbank.com](mailto:jrauth@celticbank.com)
- **Flagstar Bank**, 5151 Corporate Drive, Troy, Pamela Martin (248) 312-5259 [pamela.martin@flagstar.com](mailto:pamela.martin@flagstar.com)
- **TCF Bank**, 2118 E. Big Beaver, suite A, Troy, Jeffrey Moore (734) 542-2791 [jmoore2@tcfbank.com](mailto:jmoore2@tcfbank.com)
- **Detroit Development Fund**, 1300 Broadway, suite 300 Detroit (313) 784-9547 Ray Waters [rwaters@detroitdevelopmentfund.com](mailto:rwaters@detroitdevelopmentfund.com)
- **Opportunity Resource Fund** 7700 Second Ave., suite 608 Detroit (313) 964-7300 Tim Strasz [tstrasz@oppfund.org](mailto:tstrasz@oppfund.org)

## Small Business Support During COVID-19



### PPP Formula

Here is the formula for those of you who really want it. Questions? See #5 above.

**Step 1:** Aggregate payroll costs (defined in detail below in f.) from the last twelve months for employees whose principal place of residence is the United States.

**Step 2:** Subtract any compensation paid to an employee in excess of an annual salary of \$100,000 and/or any amounts paid to an independent contractor or sole proprietor in excess of \$100,000 per year.

**Step 3:** Calculate average monthly payroll costs (divide the amount from Step 2 by 12).

**Step 4:** Multiply the average monthly payroll costs from Step 3 by 2.5.

**Step 5:** Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid).

## How EIDL, PPP and Unemployment work together

**From Forbes**, the key is to **use the money to cover different expenses** . [Section 1102\(a\)\(2\)\(G\)](#)

**EIDLs** [can be used to cover:](#)

- Paid sick leave to employees unable to work due to the direct effect of COVID-19.
- Maintain payroll
- Increased costs due to supply chain disruption
- Rent or mortgage payments
- Repaying obligations that cannot be met due to revenue loss

**PPP** loan funds [can be used to cover :](#)

- Payroll costs
- Group health care benefits during periods of paid, sick, medical, or family leave, and insurance premiums.
- Interest on a mortgage obligation
- Rent, under lease agreements in force before February 15, 2020
- Utilities, for which service began before February 15, 2020
- Interest on any debt incurred before February 15, 2020

So, if you're getting an EIDL to cover payroll expenses, you can't get a PPP to cover payroll for the length of the forgiveness period (eight weeks from when the loan is due). You would have to use the EIDL for different operating expenses or payroll for a different period.

### **If you are self-employed or 1099-independent**

**contractors:** **Michigan Unemployment can cover personal expenses** while your **EIDL and/or PPP is covering other operating expenses** . [From Forbes](#), if you are a restaurant owner, you have to pay for a mortgage, paid leave and supply chain disruptions, while we all wait out stay-at-home orders. But you also have to buy groceries and pay your home utility bills. If you can only get a loan to cover business expenses, you may still need unemployment benefits to pay your personal expenses.

## Review of the SBA Programs

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

- Application on the SBA Website
- Up to 6 months of operating expense not to exceed \$2 million
- Interest Rate 3.75%, 30 year fixed rate
- No payments for first 12 months.
- Option to get a \$10k advance
- Changes to the SBA EIDL Loan application
- Anyone who previously applied under the old format should reapply if:
  - They were previously denied. The CARES Act loosened criteria and these applicants may now be eligible
  - They would like to be considered for the \$10,000 automatically forgiven advance
  - The new format does not require any supporting documentation
  - Designed to be simple and take fear and frustration out of the application process



### **SBA Bridge Loan**

- Must have a current business relationship with a SBA Express Lender (contact them directly)
- Loans up to \$25,000
- Term loan or gap loan until the EIDL is awarded

### **Payroll Protection Program**

- Application is through SBA Lender
- 2.5 x average monthly payroll for prior 12 months
- May be forgivable. If unforgiven, interest rate is .5% for a 2 year fixed rate
- No payments for 6 months

### **SBA Debt Relief**

- For businesses with a current and new SBA 7(a) and 504 Loans
- The SBA will also pay the principal and interest of new 7(a) loans issued prior to September 27, 2020.
- The SBA will pay the principal and interest of current 7(a) loans for a period of six months.



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