



Re: Small Business Emergency Loans – UPDATE 3.24.20

Dear World Floor Covering Association Member,

Small businesses are experiencing unprecedented loss of business whether because their business is closed pursuant to a “shelter in place” order, or simply having no customers during the Coronavirus (COVID-19) crisis. The U.S. Congress is debating a new emergency financial package that includes a small business loan program. It makes it easier to get the loan, and will forgive repayment if the loan is used to pay employees, mortgages, leases, and utilities.

Members, however, need help now. There may be some short-term relief available. The Small Business Administration (SBA) is working directly with state Governors to provide targeted, low-interest loans to small businesses that have been severely impacted by the Coronavirus. The SBA’s Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing. Members can find more information on the SBA’s Economic Injury Disaster Loans at: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

Some States are moving forward to provide funds to assist small businesses. Arkansas, for example, has legislation pending to appropriated \$50 million from the general fund to provide economic assistance to a number of programs, including small businesses. Pennsylvania has legislation pending to authorize deposits from table game taxes be made into the Small Business First Fund to be used for small business economic injury relief.

Members should contact their states small business administration to get information on these loans and determine whether and how they can get a loan if needed.

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. To help members decide on how to move forward and whether they should consider applying for such loans, WFCA is providing additional information.

Eligibility: In order to qualify as a “small businesses,” a business must be independently owned and operated, and meet SBA size standards by NAICS code. For flooring retailers, they must have less than 500 employees to be eligible. In evaluating an application, the SBA will consider:

- An applicant’s credit history;
- An applicant’s ability to repay the loan; and

- Whether an applicant has suffered working capital losses due to the COVID-19 disaster and not due to a downturn in the economy generally or other reasons.

For the loans to be available, a business's state must also have declared COVID-19 a disaster by issuing a required declaration. To date, the following states have issued such declarations:

Arizona, California, Colorado, Idaho, Iowa, Illinois, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, , South Dakota, New Mexico, Texas, Utah, Washington, Wisconsin, and Wyoming

The list can change daily, so a business in a state that is not listed should check regularly with its state governor's office or small business administration.

The Loans: If approved, the SBA can loan up to \$2,000,000 for a term of up to 30 years. The loan will have an interest rate of 3.75% per year. While loans in excess of \$25,000 are supposed to require collateral, the SBA has advised it will not decline a loan due to lack of sufficiency of collateral alone. Loan proceeds can be used for working capital, payroll and other expenses the qualifying small business or non-profit could have paid had the disaster not occurred. Flooring retailers and contractors can use the loans to pay an owner-operator's regular salary, but the loans cannot be used to replace lost profits or to finance business expansion.

Should A Business Apply: In deciding whether to apply for a disaster loan, a business should consider multiple factors, including the following:

- Exemption from Paid Leave Requirements: If a loan is granted, it may impact whether the business can get an exemption from the paid sick and family medical leave requirement in the Families First Coronavirus Response Act (FFCRA). As explained in prior updates, small businesses are required to pay two weeks of sick leave under certain circumstances (a quarantine or isolation order, employee sick with Coronavirus, or need to care for sick family members or children not in school), and ten weeks of leave toward caring for their child because the school is closed or child care provider is unavailable due to a public health emergency.

The FFCRA allows small businesses to request an exemption from the leave requirements. We are discussing with the Department of Labor how that exemption will work, including requesting that all small businesses be exempt automatically from the requirement. Since the Department of Labor will not be enforcing the law for thirty days, a business may have until May 2 to determine what exemptions will be available and if necessary, apply for and get an exemption.

- New Loan Programs: There is legislation currently under consideration by Congress that would add one or more additional SBA loan programs directed toward assisting small businesses impacted by the COVID-19 pandemic. The current bill provides that these loans will not need to be paid back to the extent that the money is used to pay employees, rent, utilities and mortgages on business facilities. It is not clear

whether an SBA disaster loan applied for now will automatically be covered by the new law when it passes Congress as anticipated.

Accordingly, every flooring retailer and contractor needs to decide its own needs and whether they can wait or need immediate cash.

WFCA will keep members informed of developments. In the meantime, communicate your needs to us ASAP so that we can pass them along to legislators and agencies as these relief packages are negotiated. The time to engage is now. Please send any suggestions directly to shumphrey@wfca.org and fstaten@wfca.org