

EVERY BUSINESS NEEDS TO UNDERSTAND THIS ONE POINT!

The Chamber of Commerce has been very cautious about promoting the new Payment Protection Program for you. There is one point that you need to clearly understand.....

If you get this LOAN from your bank, the DAY YOU GET MONEY FOR THE LOAN BEGINS YOUR 8 WEEKS OF PAYBACK! So, if your business is not open, and will not be open until at least May 1 because of the shutdown orders, wage matching begins the day you GET MONEY, and NOT the day you open. You may be “matching” your payroll when you have none, therefore, you will not be able to match the loan 100%, therefore, you will actually have a LOAN that you will have to repay and not the GRANT that you don’t have to repay.

“Origination Date means in respect of any Loan Asset the initial date on which the proceeds of the loan or other extension of credit which is the subject of such Loan Asset was advanced to the Obligor under the related Loan Documents.” (Law insider) Some businesses are getting their loans approved online immediately and receiving the funds immediately. If so, this starts your matching period. You should clarify this with your bank/lending institution.

If your business can rehire your employees and have a place and work for them to do during the shutdown, this will be great for you. If your business can’t or shouldn’t hire your employees back until you are open, then this will end up being a LOAN and not a grant.

Examples:

#1: A small diner. Had 20 wait staff/cooks. You lay off everyone but one cook and one wait staff. 18 unemployed/furloughed. You applied Friday for the PPP. You get approved Friday and get the loan. You begin matching your loan on Friday with the 2 remaining working employees. if you can bring back one more cook and one more wait staff, then you can match the 4 employees’ wages. You could bring all of them back to work and spend the next 4 weeks of shutdown cleaning your diner from head to toe, landscaping your outside, painting, etc. But you then have to follow all of the “open store Coronavirus Safety Rules” that the Governor has mandated, which may include only having a certain percentage of your staff in the building at once. You could have them work in shifts. You will have to pay them more, minimum wage at least, because they are not doing the work of “wait staff” but they are doing other non-tip work. The final challenge will be to get your employees to agree to do this “other” work for you, and not their usual jobs of serving or cooking. And you are up against many of them needing to be home with their kids or family members because of the virus. Bottom line: if you do not go back to pre-coronavirus payroll levels, you will NOT BE ABLE TO MATCH THE LOAN 1:1 AND THE MONEY YOU JUST GOT WILL BE A LOAN THAT YOU HAVE TO PAY BACK, AND NOT A GRANT. Just things for you to think about. This analysis applies to more than just a diner.

#2: You are an insurance brokerage. You have 6 salespersons. Your office is closed but you have figured out a way to have your agents work virtually from home. They are all still

working full time. Or some of them have reduced hours because they have to take care of their kids that are home. You are hanging in there but business is really starting to slow down and you are not sure how much longer you can keep them all on the payroll full time. You apply for the PPP loan on Friday. You get the loan on Friday. You now have the means to keep your agents employed full time even though work is slow because every dollar you spend on payroll will match the loan and that money will then become a GRANT and you will not have to pay it back.

This program is called PAYROLL PROTECTION and is meant to keep people working through this crisis or have them come back to work during the crisis. At least 75% of your matching expenses must be payroll. And again, the 8 week window to match the grant starts the day you get the funds, not the day you are able to open up your business.

Please think this through. The SBA's EIDL gives you a \$10,000 grant that does not have to be paid back to get you through the shutdown. It may not be much for many of you but it DOES NOT HAVE TO BE PAID BACK. The Chamber gives you only this advice... if you are thinking of applying for a PPP loan/grant, please consult with someone from the SBDC or the WBDC. They can advise you based on your individual needs:

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