

Customer Financial Resources – COVID-19

Jeff Dickenson – VP, Corporate Development, Sonova USA

Scott Sargent – Baker Donelson



Introduction

- Thank you for joining us!
- We are in this together!
- Our main priority during this pandemic is to ensure the welfare and safety of everyone in the Sonova family – including each of you!
- Additionally, we want to be a leading resource for you!
 - Keep our businesses healthy today
 - Poised for a strong rebound
- There will be more to come!

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We stand ready to support you and your patients

COVID-19 has changed our lives in ways we couldn't imagine. From our daily interactions with family and friends, to our regular work routines — every person and every business has been affected ... and the hearing health care industry is no exception.

We Care

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We're here to support you and your patients

As your partners in business, we want you to know that Unitron is here to support you and your patients during these challenging and unfamiliar times.

We've developed a suite of tools to assist your clinic in strategically and thoughtfully navigating these uncertain times; enabling you to engage with your patients and continue to establish brand awareness in the market.

Introduction



Scott Sargent

Of Counsel

Birmingham | T: 205.244.3813 | E: ssargent@bakerdonelson.com

With more than 20 years of experience in the financial and legal services industries, Scott Sargent advises community, regional and international banks on regulatory compliance and risk management.

Agenda

- What has Congress done?
- Summary of CARES Act
- Summary of Loan Programs Available
- Additional Resources

What has Congress done?

What has Congress Done?

- Congress has passed three rounds of legislation in response to the COVID-19 pandemic:
- Coronavirus Preparedness and Response Supplemental Appropriations Act (“Preparedness Act”) - signed into on March 6, 2020
- Families First Coronavirus Response Act (“Families First”) - signed into law on March 18, 2020
- Coronavirus Aid, Relief, and Economic Security Act (“CARES”) – signed into law on March 27, 2020
 - \$377B in loans and loan forgiveness grants to small businesses and non-profits to maintain existing workforce and help pay for other expenses like rent, mortgage interest, and utilities
 - Expanded unemployment insurance, and tax rebates and business tax relief measures designed to encourage business owners to retain and pay employees
 - \$454B in economic stabilization loans to larger distressed businesses not eligible to receive assistance under the small business loans noted above (not covered in this summary)
- Work is already underway in Congress on a fourth stimulus package to expand upon the measures taken in the prior three packages
- Please consult your tax and business advisors for additional information

Summary of CARES Act

The CARES Act

- Signed into law by the President on March 27, 2020.
- Practice owners may be eligible for expanded or forgivable loan options. An additional \$377 billion is being allocated to loans and grants for small businesses (see next slide)
- Direct payments of up to \$1,200 per adult, \$500 per child
- Unemployment benefits are increased \$600 per week for four months
- \$290 B allocated to additional tax credits and deferrals – SSI Tax Credit, Payroll Tax Deferral, Net Operating Loss limitations reduced, expansion of Business Interest deductions, suspension of Non-Corporate Loss limitation, acceleration of AMT tax credit recoupment. Business owners should consult their tax advisors
- Provisions for debt – credit protections, foreclosure moratoriums, forbearance of residential mortgage loan payments, moratorium on evictions, etc.
- Temporary penalty waiver of early withdrawals up to \$100,000 from retirement accounts
- Employee retention credit of 50% of certain wages paid by employers during crisis period
- Please consult your tax and business advisors for additional information

SBA programs under CARES:

SBA programs currently in place or proposed under CARES:

- SBA Paycheck Protection Program (PPP): New SBA loans in amount equal to 2.5x your average monthly payroll costs over last twelve months (cap: \$10M). A portion of these loans will be forgiven under certain conditions described herein
- SBA Express Loan Program: Working capital loans available for up to \$350k today for eligible borrowers (expanded to \$1M under CARES). Decisions made on the loans within 36 hours
- SBA Economic Injury Disaster Loan (EIDL) Program: Loans providing up to \$2M in working capital assistance to eligible borrowers in declared disaster areas (businesses in all 50 states plus Puerto Rico, Guam and the Northern Mariana Islands are eligible due to COVID-19)
- Debt Relief for Existing SBA Loans: For businesses with certain existing SBA loans (including existing 7(a), 504 or microloans): under CARES, the SBA will cover up to six months of principal, interest and associated fees on such loans

Summary of Loan Programs Available

Paycheck Protection Loan Program (PPP)

- Administered by the SBA, but processed by commercial banks. First come, first served.
- No collateral or guaranty requirements
- Eligibility
 - Businesses, nonprofits, veterans' organizations and tribal concerns with < 500 employees are eligible.
 - Sole proprietors, independent contractors and self-employed individuals (some additional requirements).
 - Some bad actor exclusions
- Loan Amount
 - Loans capped at the lesser of \$10 million and 2.5 times the average monthly payroll costs in prior 12 months prior
 - Can include refinancing of existing SBA disaster loans
- Payroll Costs Included
 - salary, wages, commissions, or similar compensation
 - payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal
 - group health care coverage, including insurance premiums
 - Retirement
 - payment of state and local taxes assessed on compensation of employees

PPP Eligibility Examples

Example 1 – No Employees make more than \$100,000

- Annual Payroll is \$240,000
- Average Monthly Payroll = \$12,000 ($\$240k/12$)
- Multiply by 2.5 = \$30,000
- Maximum Loan Amount is \$30,000

Example 2 – Some employees make more than \$100,000

- Annual Payroll is \$1,500,000
- 4 employees make \$130,000 per year
- Total excess of \$100,000 is \$120,000
 - $\$130,000 - 100,000 = \$30,000 \times 4 = \$120,000$
- Qualifying Payroll is \$1,380,000 ($\$1,500,000 - \$120,000$)
- Average Monthly Qualifying Payroll is \$115,000
- Multiply by 2.5 - \$287,500
- Maximum Loan Amount is \$287,500

Paycheck Protection Loan Program (Cont.)

- Uses
 - Payroll costs, insurance premiums (group health), salaries or commissions,
 - interest on mortgage
 - rent
 - utilities
- Terms
 - 1% interest
 - 6-month deferral of any payments
 - 2 year term
- Forgiveness
 - Principal and interest can be forgiven
 - The amount of the loan that is forgivable is the sum of the payroll costs, mortgage interest payment, rent, and utilities incurred or paid by the borrower during the 8-week period beginning on the loan origination date.
 - Not more than 25 percent of the loan forgiveness amount may be attributable to non-payroll costs.
 - Forgiveness amount is reduced if borrower has a reduction in FTEs or salary reductions in excess of 25%
 - Must document use of proceeds to get forgiveness (consider segregated account)

Express Loan

- Eligibility
 - Small businesses that meet SBA size standards are generally eligible for SBA Express Loans, subject to standard SBA eligibility restrictions, below.
- How much?
 - Up to \$1 million (increased from historical SBA limit of \$350k)
- Use of Funds
 - No restrictions
- Key Loan Terms
 - Not to exceed 25 years (determined by the lender)
 - Revolving line of credit available with maximum 7 years
 - Interest Rates subject to maximum of 11.5% (<\$50k) and 9.5% (>\$50k)
 - Most borrowers to pay a guarantee fee (Veteran-owned businesses excluded)
 - No collateral requirement for loans of \$25k or less
 - SBA will guarantee up to 50% of SBA Express Loans
- How to Apply
 - Express Loans offered through SBA-approved banks found at <https://www.sba.gov/partners/lenders/microloan-program/list-lenders>
 - Applications approved or denied within 36 hours

SBA Economic Injury Disaster Loan (EIDL)

- Eligibility
 - Small businesses that employ 500 or fewer employees (all employees, not just FTEs)
 - Self-employed individuals with documented evidence of income, expenses and payroll tax filings
 - Must have been in business on January 31, 2020
- Amount of Relief
 - Up to \$2M
 - In conjunction with loan application, eligible entities may also make an initial draw of \$10k that must be paid by the SBA within 3 days of application submission. \$10k does not have to be repaid if application is not approved.
- Use of Funds
 - Used to pay fixed debts, payroll, accounts payable and other bills that can't be paid due to Covid-19 outbreak
 - Exclusions
 - Refinance existing debt
 - To make payments on loans owned by another federal agency (including SBA) or Small Business Investment Company
 - Federal, State, or local penalty, criminal fine or civil fine
 - Repair physical damage
 - Payment of dividends or other disbursements to owners, partners, etc., except for reasonable compensations

SBA Economic Injury Disaster Loan (continued)

- Terms
 - Not to exceed 30 years (case by case determination)
 - Interest not to exceed 4%
 - Waiver of borrower-paid guaranty fees
 - Collateral required for loans > \$25k, but applicants will not be denied for lack of collateral
 - Loans > \$200k must be guaranteed by any owner having 20%+ interest in the applicant (entity)
 - CARES removes standard EIDL requirements that the borrower not be able to secure credit elsewhere
 - Borrowers can be approved based on credit score alone
- Other Considerations
 - Borrowers may receive an EIDL loan and a PPP loan as long as the costs being paid with each are different
- How to Apply
 - EIDL loans offered and administered by the SBA directly (no need to work with a local lender)
 - Streamlined online application - <https://covid19relief.sba.gov/#/>
 - SBA Disaster Assistance Customer Center at 1-800-659-2955 or www.disastercustomerservice@sba.gov

Additional Resources

Additional Notes

- On March 26, 2020 the Federal Reserve offered several guiding comments encouraging easing of conditions to provide loans to individuals and businesses impacted by Covid-19
- Standard legacy SBA loan structures remain in place
- Rent and mortgage abatement programs being offered by lenders and landlords (or compelled in some jurisdictions)
- Medicare Advanced Payment Program
- FEMA Resources
- State and local health authorities
- State Medicaid Programs

State Emergency Loan Programs

- Individual states are offering new programs daily. Check your governor's website for up to date information. Contact information can be found at <https://www.nga.org/governors/addresses/>
- Some examples
 - San Francisco COVID-19 Small Business Resiliency Fund - \$10,000 in emergency funding for businesses with 1-5 employees
 - Denver Small Business Emergency Relief offers cash grants of up to \$7,500
 - Florida Small Business Emergency Bridge Loan Program provides loans of up to \$50,000 (\$100k in special cases)
 - Chicago Small Business Resiliency Fund offers low interest loans of up to \$50,000
 - Michigan Small Business Relief Program provides both grants (\$10,000) and loans (\$50k - \$200k) at very low interest (.25%)
 - New York Small Business Continuity Fund offers \$75k loans to cover revenue losses

Additional Online Resources

- **Phonak Pro** – www.phonakpro-us.com/covid-19
- **Unitron Marketing** – <https://www.unitronmarketing.com/covid-information>
- **The Hearing Review** – <https://www.hearingreview.com/practice-building/practice-management/management-strategies/plan-for-the-worst-hope-for-the-best-strategies-for-cash-flow-difficulties-and-covid-19>
- **American Academy of Audiology** - <https://www.audiology.org/>
- **Academy of Doctors of Audiology** - <https://www.audiologist.org/>
- **International Hearing Society** - <http://ihsinfo.org/covid-19/>
- **Centers for Disease Control** - <https://www.cdc.gov/>
- **World Health Organization** - <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>
- **OSHA** - <https://www.osha.gov/Publications/OSHA3990.pdf>
- **From the White House** - <https://www.coronavirus.gov/>

Next Steps

- We are here to help!
- Continuing “how to” series
- Dedicated COVID-19 information on our websites
- Follow-up to your Q & A via live forum
 - E-mail with details to follow
- Sales teams are engaged with practical solutions to continue to service your patients.



Thank You

sonova
HEAR THE WORLD

Additional Resources

Standard US Small Business Administration Options Remain in Place

- <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>
- Upon request from a state or territory's Governor, SBA can issue an Economic Injury Disaster Loan Declaration, as provided by the Corona Virus Preparedness and Response Supplemental Appropriations Act, recently signed by the President. Small business owners in all U.S. states and territories are currently eligible to apply
- This makes loans available statewide to small businesses and private non-profits to help alleviate economic injury
- Applies to current AND future disaster assistance declarations
- Up to \$2 million in assistance @ 3.75% interest rate, up to 30 years
- Used to pay fixed debts, payroll, accounts payable and other bills
- Apply online at <https://disasterloan.sba.gov/apply-for-disaster-loan/index.html>, or call 800-659-2955

Federal Reserve Bank Guidance

- On March 26, 2020, five federal financial regulatory agencies today issued a joint statement encouraging banks, savings associations and credit unions to offer responsible small-dollar loans to consumers and small businesses in response to COVID-19
- The Federal Reserve System, along with other federal agencies, recognizes that responsible small-dollar loans can play an important role in meeting customers' credit needs because of temporary cash-flow imbalances, unexpected expenses, or income disruptions during periods of economic stress or disaster recoveries
- Further, For borrowers who experience unexpected circumstances and cannot repay a loan as structured, banks, savings associations and credit unions are further encouraged to consider workout strategies designed to help borrowers to repay the principal of the loan while mitigating the need to re-borrow
- Future guidance will evolve to ensure the facilitation of loans to more effectively meet the ongoing credit needs of their customers, members, and communities
- Please contact your individual lending institution to ask about current programs available
- Further information can be found at <https://www.federalreserve.gov/covid-19.htm>