

# Emergency Business Assistance During The Pandemic

Education · Advocacy · Research · Resources · Networking



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January 2021

# Presentation Overview

- ▶ Federal Resources
- ▶ Challenges Facing Communities During COVID-19
- ▶ Resources at Your Fingertips

# CARES Act Overview

- ▶ Coronavirus Aid, Relief, and Economic Security Act, March 2020
- ▶ **\$2 trillion total**
  - Individuals: \$560 billion (estimated)
  - State and Local governments: \$340 billion
  - Small Businesses: \$377 billion
  - Big Corporations: \$500 billion
  - Public Health: \$153 billion

# New Programs

## ► Paycheck Protection Program – U.S. Small Business Administration

- Forgivable loan program, up to \$10 million per small business
- Provides 8 weeks' worth of payroll and overhead expenses
- The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. 75% of loan must be for payroll
- Loan payments will be deferred for six months.
- This loan has a maturity of 2 years and an interest rate of 1%.
- Through August 2020, the SBA provided \$525 billion in loans to 5.2 million businesses. Average loan size is \$101k.

# New Programs

## ▶ **Economic Injury Disaster Loan – U.S. Small Business Administration**

- Working capital loans of up to \$2 million
- Loan advances of up to \$10,000 for temporary revenue losses are also available, and do not have to be repaid
- Available through December 31, 2021

## ▶ **SBA Debt Relief – Small Business Administration**

- SBA is paying the interest, fees, and principal of approved 504, 7(a), and microloans

## ▶ **SBA Express Bridge Loan – Small Business Administration**

- Allows businesses to access \$25,000 quickly to bridge the gap while waiting for the approval of an Economic Injury Disaster Loan

# Consolidated Appropriations Act 2021

- ▶ **December 2020 legislation that provided about \$900 billion in coronavirus relief**
- ▶ Extends the deadline to spend Coronavirus Relief Funds to December 31, 2021
- ▶ Additional \$285 billion for PPP through March 31, 2021
- ▶ \$20 billion for the EIDL Advance program and extends covered period through December 31, 2021
- ▶ \$57 million for the SBA Microloan program
- ▶ \$15 billion for the SBA to make grants to eligible live venue operators, theaters, and arts and cultural institutions
- ▶ \$9 billion to provide low-cost, long-term capital investments to minority depository institutions (MDIs) and CDFIs
- ▶ \$3 billion to the CDFI Fund to provide grants and other financial assistance to CDFIs

# Challenges Facing Communities During COVID-19

- ▶ Development finance has always been at the forefront of recovering from natural disasters and economic challenges.
- ▶ The emergence of the COVID-19 crisis requires a unique and targeted response by the federal government, state and local development finance agencies (DFAs), private banks, and philanthropy.
- ▶ As the situation surrounding COVID-19 evolves, small businesses and communities across the country are very quickly facing liquidity challenges, job losses, and project stagnation.
- ▶ Credit is tightening and small businesses are struggling to make payroll while communities have been forced to scale back or halt development.
- ▶ Moreover, communities are facing difficulties financing critical infrastructure such as health facilities, broadband networks, and testing centers to address local COVID-19 demands.

# Challenges Facing Communities During COVID-19

- ▶ Development finance agencies, CDFIs and nonprofits are uniquely positioned to solve these challenges through pragmatic solutions and adjustments to existing initiatives.
- ▶ CDFA understands that communities are under considerable stress and pressure to address these immediate challenges while being mindful of the long-term financial health of their organizations and communities.
- ▶ The following set of strategies and recommendations is designed to help development finance agencies evaluate their portfolios and determine whether modifications are needed for their bonds, tax increment finance, and revolving loan fund programs.



# Strategies for Communities

## *Revolving Loan Fund Portfolios*

- ▶ Communities operate thousands of loan funds throughout the country.
- ▶ CDFA expects these funds to be impacted significantly due to the COVID-19 pandemic, both in the immediate term to address current economic challenges as well as in the long term as business recovery continues.
- ▶ Consider the following...

# Revolving Loan Fund Portfolios

- ▶ **Existing Borrowers** – Check in with your current borrowers to fully understand their liquidity and debt service constraints.
- ▶ Many small businesses are facing cash flow and liquidity challenges.
- ▶ They may need immediate adjustments to their loan terms, rates, and repayment schedules.

# Revolving Loan Fund Portfolios

- ▶ **Adjusting Rates and Terms** – To the extent possible, consider adjusting current rates, terms, and repayment schedules.
- ▶ Now is not the time for ultra-conservative approaches to loan fund management.
- ▶ Borrowers are facing liquidity challenges and do not have the cash flow to pay debt service.
- ▶ Consider easing your loan fund repayment schedule to allow borrowers to defer payments for up to one year.
- ▶ While this may result in less cash flow to the fund, it will allow borrowers to focus on immediate challenges with less debt repayment stress.

# Revolving Loan Fund Portfolios

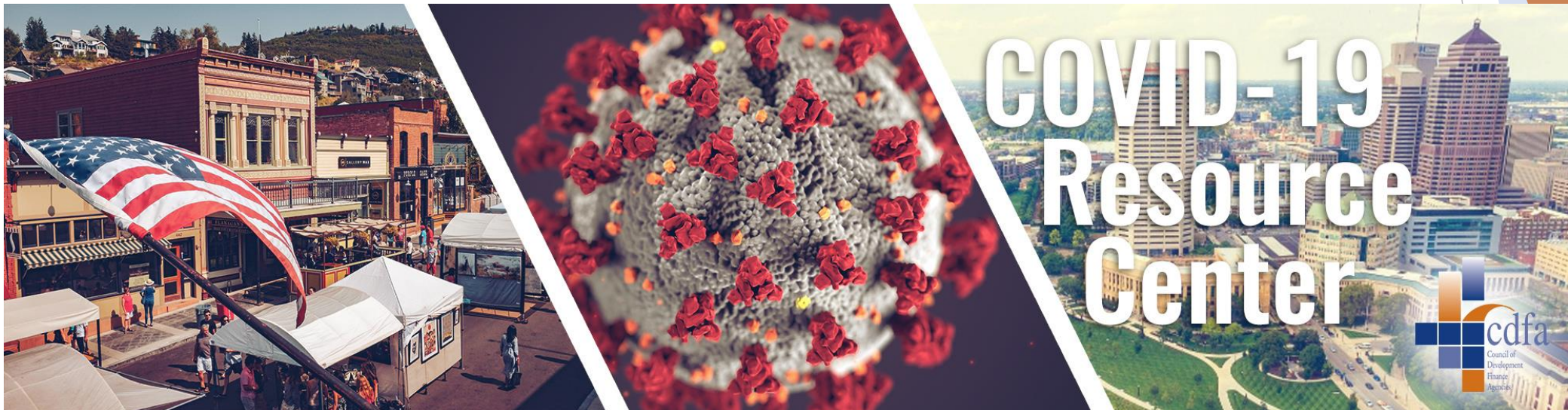
- ▶ Require that new borrowers demonstrate the impact that the crisis has had on their business and their need for immediate capital.
- ▶ Provide short term loans of three to six months with zero percent interest to allow these borrowers to continue to make payroll and inventory payments.
- ▶ Defer repayment of these loans for up to one year.
- ▶ Finally, consider requiring new borrowers to refinance their distressed loan after one year if they do not pay it off in advance.
- ▶ DFAs may then be able to charge reasonable, but low-cost interest, on the refinanced loans.

# Revolving Loan Fund Portfolios

- ▶ **Recapitalizing Funds** – Federal and state governments, philanthropy, and the banking industry have been responding aggressively to the crisis but still need to hear from loan fund managers on the demand for low-cost capital.
- ▶ Reach out to your partners at federal and state agencies for a request to recapitalize funds immediately.
- ▶ Consider reaching out to foundations and financial institutions for fund capitalization as well.
- ▶ Be aggressive and request flexible funds to immediately put into new loans to address distressed businesses.
- ▶ If recapitalization is not possible, consider asks for loan loss reserves or loan guarantees to help address current borrowing needs.

# Resources at Your Fingertips

- ▶ CDFA COVID-19 Resource Center



<https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/COVID-19.html>





## COVID-19 Resource Center

**Development finance has always been at the forefront of recovering from natural disasters and economic challenges. The CDFA COVID-19 Resource Center is a collection of financing programs and resources to address disaster relief and recovery.**

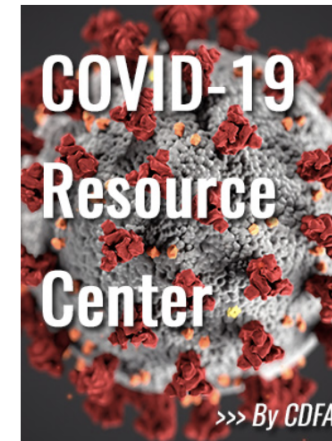
As the situation surrounding COVID-19 evolves, small businesses and communities across the country will very quickly face liquidity challenges, job losses, and project stagnation. Credit will be tightening and small businesses will struggle to make payroll while communities will be forced to scale back or halt infrastructure development. Moreover, communities are facing difficulties financing critical infrastructure such as health facilities, broadband networks, and testing centers to address local COVID-19 demands.

Development finance agencies are uniquely positioned to solve these challenges through pragmatic solutions and adjustments to existing initiatives. CDFA developed this COVID-19 Resource Center to serve as a central hub of everything the development finance world is doing to mitigate the impacts of COVID-19.

Tune in to CDFA's **Weekly Development Finance COVID-19 Briefing** to stay at the forefront of the development finance community's mitigation and recovery efforts.

Subscribe to CDFA's **COVID-19 Recovery & Relief Update** newsletter for regular updates on relief and recovery financing initiatives.

⇒ **Subscribe**



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+ [Weekly Development Finance COVID-19 Briefings](#)

+ [State Response Map](#)

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# Resources at Your Fingertips

- ▶ CDFA COVID-19 Recovery & Relief Update Newsletter

<https://www.cdfa.net/cdfa/cdfaweb.nsf/newsletter.html?open&id=562A7E10D100B739C76792F8EB00B312>





## COVID-19 Recovery & Relief *UPDATE*

The Latest Headlines Covering COVID-19 Recovery & Relief

### Spotlight

**Subscribe Now to CDFA's New COVID-19 Recovery & Relief Update Newsletter!**  
CDFA is launching a weekly newsletter covering how development finance is addressing disaster relief and recovery with a special focus on the COVID-19 pandemic. Subscribe now to this free offering from CDFA to keep receiving this content in the future!

**Listen: COVID-19 Weekly Development Finance Briefing - April 3 (Free Recording)**  
During the April 3, 2020 Weekly COVID-19 Development Finance Briefing, experts from the North Carolina Rural Center, the Local Initiatives Support Corporation, and the New Orleans Business Alliance discussed their respective approaches to local financing programs to support small businesses.

### Features

**SBA, Treasury Launch \$349B Paycheck Protection Program**  
The CARES Act establishes a new \$349 billion Paycheck Protection Program that will provide much-needed access to capital so they can sustain their businesses and keep their workers employed. The new loan program will be available retroactive from Feb. 15, 2020, so that employers can rehire their recently laid-off employees through June 30, 2020.

**What Each State Is Doing to Help Restaurants Harmed by COVID-19**  
Many states are loosening liquor laws and extending tax deadlines, and some are offering low- or no-interest loans or grants. See what forms of assistance are available in your state.

**Announcing the CDFA-ARI Rural Finance Webinar Series**  
CDFA is pleased to announce the CDFA-ARI Rural Finance Webinar Series, a free, informative, and time-sensitive online series to serve rural America and the unique challenges they face. Join us on April 15, 2020, for the first installment of this series, where we will explore the immediate COVID-19 response and resources at the state, local, and national levels that local leaders can use to reduce the impact of this crisis.



# Resources for Small Business Access to Capital

- ▶ **CDFA Intro and Advanced Revolving Loan Fund Courses**  
<https://www.cdfa.net/cdfa/cdfaweb.nsf/pages/education.html>
- ▶ **CDFA RLF Resource Center**  
<https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/rlf.htm>
- ▶ **CDFA Federal Financing Clearinghoues**  
<https://www.cdfa.net/cdfa/cdfaweb.nsf/ffcsearch.html>

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