




Business Survival Tips to Weather the COVID-19 Storm

There are a wide array of opinions predicting what may or may not happen in the future. While we can't predict the future, the quip that *"The market can remain irrational longer than you can remain solvent"* is something we should keep in mind. It is quite possible that the impact of the COVID-19 virus could go on for months. Regardless if we believe that or not, it would be prudent for any businessperson to prepare for any possible lengthy impact this may have on your business.

A black-bordered box containing the text: "Markets can remain irrational longer than you can remain solvent."

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Here are some ways that your business can survive this storm.

Reduce Your Burn Rate

Burn rate is how much cash you spend in a given period just to stay in business. Because many businesses will see a drop in revenue, reducing your burn rate as much as possible and save cash will increase the length of time you can stay in business before things improve. This is done by looking at expenses and eliminating, reducing, or restructuring as many as possible. Here are many ideas on what you can do:

- **Renegotiate Rent Payments** - Rent can be a large cost for many businesses. Begin talking to your landlord today about a temporary reduced or free rent period for the duration that your business is affected.
- **Talk to Your Lender About Debt Repayment** - If you are worried that your ability to repay a business loan or debt will be affected, call your lender today and begin discussing options. If the economic conditions worsen, they will be increasingly willing to negotiate. This could involve deferred payments or reduced payments for a period.

- **Discuss terms with suppliers** - Perhaps you need a specific material or supply just to operate your business. Talk with your supplier to see if you can secure price reductions, extended credit terms, return unused product, or some other method to reduce the cash you have to spend right now simply to operate your business.
- **Reduce work hours and/or add furlough days** - Times like these can be stressful for everyone, especially the insecurity that employees may feel about their jobs. Involve them in decisions to reduce the hours worked and voluntary furlough days (unpaid days off) to find a solution that can ensure the survivability of the business.
- **Cut unnecessary costs** - Do you charge your lunches to the company? Might be a good time to start bringing a sandwich from home. Do you have an annual golf club membership paid for by the company? You possibly might have more time to golf if your company goes out of business but not enough money for green fees. Start cutting the fat and setting priorities. Every bit can make a difference.

Innovate & Seek New Ways to Make Money

A silver lining can be found in almost any crisis. How can your business capitalize on this opportunity? This may require all of your creative thinking on how to make it through these tough times. Fortune favors the bold. Here are some ideas:

- **Use what you have in a different way** - Think outside the box when it comes to the products, services and resources at your disposal. Look for new and creative ways to use those resources given the current shifts in consumer trends.
- **Communicate with your customers** - Your customers are real people like you. Communicate with them and let them know what your plans are to continue to provide them with your products and/or services.
- **Get real about sales** - Maybe there is still business, but it's much lower. Now is the time to get out there and SELL your product or service as opposed to waiting for it to come to you.
- **Use video and teleconferencing technology** - Many things can be moved online. Do you run exercise classes? Move it online. Did your event get cancelled? Hold a new event online. Harness the full power of technology.
- **Create a new product** - Have an idea for something new? R&D takes time, maybe now is the time to do it and be ready to launch something spectacular when this entire phase is over.
- **Work on that project you've been putting off** - Does a machine need to be overhauled? Is your inventory a mess? Have you been wanting to plan out a new market segment of your business? If you have the cash to stay afloat, maybe now is the time to take a serious look into these. Use the people and the resources you have to get stuff done.

Secure Financing

Tried all these but haven't staunched the bleeding? It might be time to look at "bridge financing", basically money that can keep you alive till you start making money again. Keep in mind that loans need to be repaid, so ask yourself if you can realistically reduce your costs enough so that you don't need financing. On the other hand, if you find that you are financially secure, it may be a good time to secure financing to fund that project. If you do, here are some places to look:

- **Consolidate existing high-interest debt** - This can be a good time to utilize the funding available to pay off high-interest credit card debt or other loans.

- **SBA Disaster Loan Assistance** - The State of Utah is working with the Small Business Administration (SBA) to secure low interest loans for small businesses impacted by the COVID-19 outbreak. Small business are encouraged to apply for funding through this [website](#).
- **Salt Lake City Emergency Loan Fund** - SLC is launching a loan fund to assist SLC based companies that are experiencing financial hardships as a result of COVID-19. The details are under development but you can learn more by visiting this [website](#).
- **Contact Your Rural Municipality** - If you are living in a rural area, sometimes smaller municipalities can step in and provide micro lending with fewer regulations and more mobility than large municipalities. In southeastern Utah, the Association of Local Governments is intending to use their Revolving Loan Funds in an emergency capacity.
- **Bank or Credit Union Loan** - Contact your local bank or credit union to see what financing you may qualify for.
- **Private Loan** - It may be time to lean on family or friends for a loan to keep things afloat. If you do pursue this route, at the very least, be sure to have loan terms written down including loan amount, how interest is calculated, a payment schedule, and what happens if you are not able to repay the loan.
- **Equity Investor** - It might be time to bring in an investor. To do this usually requires more than just a survival plan. It requires a strategic plan on how this money will help the business grow and thrive.

Your Local Government

Right now, there are many unanswered questions on the potential impact on our business and how the government can help. The state of Utah and Salt Lake City are both trying to collect information and here is how you can help:

- **For Utah Business Impacted by COVID-19** - The SBA and Utah Division of Emergency Management (DEM) needs information from you to qualify our state for assistance from the federal government. They are asking affected business to complete an [Economic Injury Worksheet](#) and email it to the following email address: jannawilkinson@utah.gov
- **Salt Lake City Businesses** - The SLC Economic Development Team has created a survey to better understand the challenges facing SLC bases in order to better respond and provide additional services. You can find the survey [here](#).
- **Governor's Office of Economic Development (GOED)** – GOED has provided additional information, regarding assistance for small businesses, at this time. Visit <https://coronavirus.utah.gov/business/> for more details.
- **US Small Business Administration (SBA)** – The SBA is prepared to provide low-interest disaster loans to businesses of all sizes. Additional information for disaster loan assistance can be found at <https://disasterloan.sba.gov/ela/Information/Index>.

The Utah SBDC Network is here to help businesses who have been affected by the current health crisis. Our consultants and partners including the SBA provide services to assist with disaster loan applications, long term planning, insurance navigation, physical and economic loss estimations, business preparedness and more.



U.S. Small Business
Administration

U.S. SMALL BUSINESS ADMINISTRATION FACT SHEET – ECONOMIC INJURY DISASTER LOANS

UTAH Declaration #16338

(Disaster: *UT-00066*)

Incident: CORONAVIRUS (COVID-19)

occurring: January 31, 2020 & continuing

in the Utah counties of: **Salt Lake, San Juan, Summit, Utah, Wasatch, Washington & Wayne;**
 the contiguous Utah counties of: **Carbon, Daggett, Davis, Duchesne, Emery, Garfield, Grand, Iron, Juab, Kane, Morgan, Piute, Rich, Sanpete, Sevier & Tooele;**
 the contiguous Arizona counties of: **Apache, Coconino, Mohave & Navajo;**
 the contiguous Colorado counties of: **Dolores, Mesa, Montezuma, Montrose & San Miguel;**
 the contiguous New Mexico county of: **San Juan;**
 the contiguous Nevada county of: **Lincoln;**
 and the contiguous Wyoming counties of: **Sweetwater & Uinta**

Application Filing Deadline: December 17, 2020

Disaster Loan Assistance Available:

Economic Injury Disaster Loans (EIDLs) – Working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period.

Credit Requirements:

- Credit History – Applicants must have a credit history acceptable to SBA.
- Repayment – Applicants must show the ability to repay the loan.
- Collateral – Collateral is required for all EIDL loans over \$25,000. SBA takes real estate as collateral when it is available. SBA will not decline a loan for lack of collateral, but SBA will require the borrower to pledge collateral that is available.

Interest Rates:

The interest rate is determined by formulas set by law and is fixed for the life of the loan. The maximum interest rate for this program is 4 percent.

Loan Terms:

The law authorizes loan terms up to a maximum of 30 years. SBA will determine an appropriate installment payment based on the financial condition of each borrower, which in turn will determine the loan term.

Loan Amount Limit:

The law limits EIDLs to \$2,000,000 for alleviating economic injury caused by the disaster. The actual amount of each loan is limited to the economic injury determined by SBA, less business interruption insurance and other recoveries up to the administrative lending limit. SBA also considers potential contributions that are available from the business and/or its owner(s) or affiliates. If a business is a major source of employment, SBA has the authority to waive the \$2,000,000 statutory limit.

Loan Eligibility Restrictions:

Noncompliance – Applicants who have not complied with the terms of previous SBA loans may not be eligible. This includes borrowers who did not maintain required flood insurance and/or hazard insurance on previous SBA loans.

Note: Loan applicants should check with agencies / organizations administering any grant or other assistance program under this declaration to determine how an approval of SBA disaster loan might affect their eligibility.

Refinancing:

Economic injury disaster loans cannot be used to refinance long term debts.

Insurance Requirements:

To protect each borrower and the Agency, SBA may require you to obtain and maintain appropriate insurance. By law, borrowers whose damaged or collateral property is located in a special flood hazard area must purchase and maintain flood insurance. SBA requires that flood insurance coverage be the lesser of 1) the total of the disaster loan, 2) the insurable value of the property, or 3) the maximum insurance available.

Applicants may apply online, receive additional disaster assistance information and download applications at <https://disasterloan.sba.gov/ela>. Applicants may also call SBA's Customer Service Center at (800) 659-2955 or email disastercustomerservice@sba.gov for more information on SBA disaster assistance. Individuals who are deaf or hard-of-hearing may call (800) 877-8339. Completed applications should be mailed to U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.



U.S. Small Business
Administration



The Three Step Process: Disaster Loans

About Disaster Loans

The U. S. Small Business Administration (SBA) provides low-interest, long-term disaster loans to businesses of all sizes, private non-profit organizations, homeowners, and renters to repair or replace uninsured/underinsured disaster damaged property. SBA disaster loans offer an affordable way for individuals and businesses to recover from declared disasters.

STEP 1: Apply for Loan

- Apply: 1) online; 2) in-person at a disaster center; or 3) by mail.
- Apply online at the SBA's secure website disasterloan.sba.gov/ela.
- As a business of any size, you may borrow up to \$2 million for physical damage.
- As a small business, small agricultural cooperative, small business engaged in aquaculture, or private non-profit organization you may borrow up to \$2 million for Economic Injury.
- As a small business, you may apply for a maximum business loan (physical and EIDL) of \$2 million.
- As a homeowner you may borrow up to \$200,000 to repair/replace your disaster damaged primary residence.
- As a homeowner or renter, you may borrow up to \$40,000 to repair/replace damaged personal property.

STEP 2: Property Verified and Loan Processing Decision Made

- SBA **reviews your credit** before conducting an inspection to verify your losses.
- An SBA verifier will **estimate** the total physical loss to your disaster damaged property.
- A loan officer will determine your **eligibility** during processing, after reviewing any insurance or other recoveries. SBA can make a loan while your insurance recovery is pending.
- A loan officer works with you to provide all the necessary information needed to reach a loan determination. Our goal is to arrive at a decision on your application within 2 - 3 weeks.
- A loan officer will contact you to discuss the loan recommendation and your next steps. You will also be advised in writing of all loan decisions.

STEP 3: Loan Closed and Funds Disbursed

- SBA will prepare and send your Loan Closing Documents to you for your signature.
- Once we receive your signed Loan Closing Documents, an initial disbursement will be made to you within 5 days:
 - Physical damage:
 - \$25,000
 - Economic injury (working capital):
 - \$25,000 (In addition to the Physical damage disbursement)
- A case manager will be assigned to work with you to help you meet all loan conditions. They will also schedule subsequent disbursements until you receive the full loan amount.
- Your loan may be adjusted after closing due to your changing circumstances, such as increasing the loan for unexpected repair costs or reducing the loan due to additional insurance proceeds.

For more information or to find a local disaster center, contact SBA's Customer Service Center at 1-800-659-2955 (TTY: 1-800-877-8339).

Required Documentation

The following documents are required to process your application and reach a loan decision. Your Loan Officer and Case Manager will assist you to ensure that you submit the proper documentation. Approval decision and disbursement of loan funds is dependent on receipt of your documentation.

BUSINESSES	HOMEOWNERS AND RENTERS
<ul style="list-style-type: none"> • Business Loan Application (SBA Form 5) completed and signed by business applicant. • IRS Form 4506-T completed and signed by Applicant business, each principal owning 20% or more of the applicant business, each general partner or managing member and, for any owner who has more than a 50% ownership in an affiliate business. (Affiliates include business parent, subsidiaries, and/or businesses with common ownership or management). • Complete copies, including all schedules, of the most recent Federal income tax returns for the applicant business; an explanation if not available. • Personal Financial Statement (SBA Form 413) completed, signed and dated by the applicant (if a sole proprietorship), each principal owning 20% or more of the applicant business, each general partner or managing member. • Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used). <p>ADDITIONAL INFORMATION THAT MAY BE NECESSARY TO PROCESS YOUR APPLICATION:</p> <ul style="list-style-type: none"> • Complete copies, including all schedules, of the most recent Federal income tax returns for each principal owning 20% or more of the applicant business, each general partner or managing member, and each affiliate when any owner has more than a 50% ownership in the affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management. • If the most recent Federal income tax return has not been filed, a year-end profit and loss statement and balance sheet for that tax year is acceptable. • A current year-to-date profit and loss statement. • Additional Filing Requirements (SBA Form 1368) providing monthly sales figures. 	<ul style="list-style-type: none"> • Home Loan Application (SBA Form 5c) completed and signed by Applicant and Co-Applicant. • IRS Form 4506-T completed and signed by Applicant and Co-Applicant. <p style="text-align: center;">APPLY FOR ASSISTANCE AT disasterloan.sba.gov/ela</p> <div style="text-align: center;">  <p>Or Call</p> <p>1-800-659-2955 (SBA Customer Service Center)</p> <p>1-800-877-8339 (TTY: Deaf and Hard-of-Hearing)</p> </div>

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sba.gov/disaster

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