

Covid-19 Small Business Loans (PPP and EIDL)

NFIB Research Center

The Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) are the two primary loan programs available to negatively impacted small business owners in need of financial assistance. Currently, both programs are closed to new applicants. Many applicants who have submitted their application are still waiting to hear if their loan is far enough through the process to receive financing or if it has been suspended due to lack of program funds. However, additional funding may become available making current suspensions only temporary.

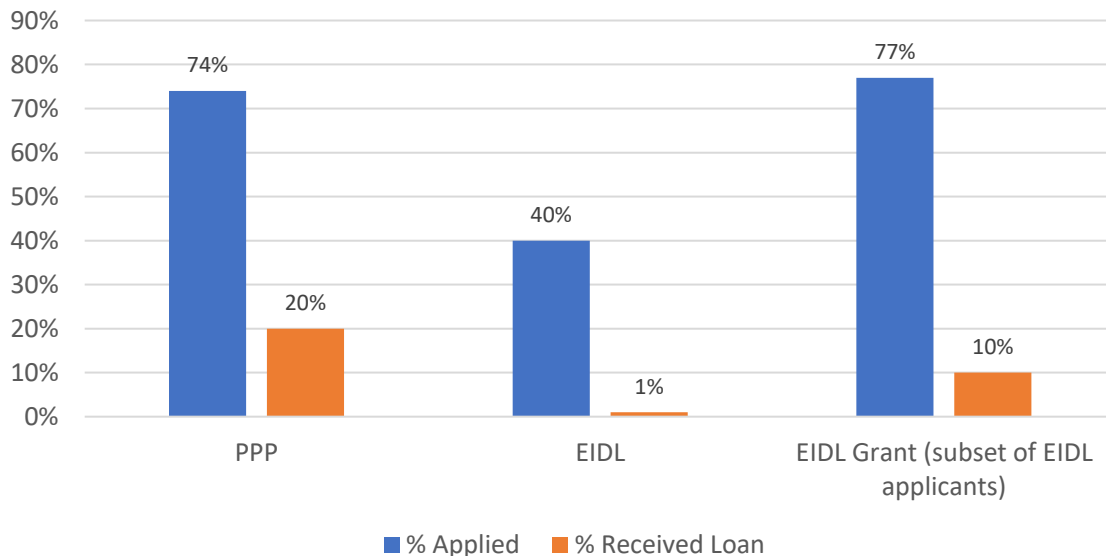
A previous NFIB survey found that, as of March 30, 60% of small business owners had not yet contacted their bank or other financial institution about available credit or lending resources due to the Covid-19 outbreak. The financial landscape has rapidly changed since then as most small business owners have applied to the one or both small business loan programs.

This current survey was conducted on April 17, the day after both the PPP and EIDL programs ran out of funding. The programs closed while many small employers were still in the process of applying and most self-employed owners were still waiting for banks to begin accepting non-employer business applications.

About three-quarters of small business owners (almost all employer businesses) have submitted an application for a PPP loan as of April 17. About one-in-five (20%) of submitted applications have been fully processed with funds deposited in the borrower's account. Nearly 80% are still waiting, many not knowing where they are in the process.

The terms and conditions of a PPP loan are, on its surface, very attractive to most small business owners. If spent correctly, the loan turns into a forgivable grant given certain conditions. Most small business owners are planning to take full advantage of loan forgiveness rather than using the funds as a low interest loan over 2 years. About half of small business owners who submitted a PPP application expect the entire loan to be forgiven after the 8-week window, and another 27% expect to have at least 75% of the loan forgiven. Only 3% plan to use more than half of the funds as a low interest loan. About 26% of those who had not yet submitted an application are currently in the process of applying.

PPP, EIDL, and EIDL Emergency Grant



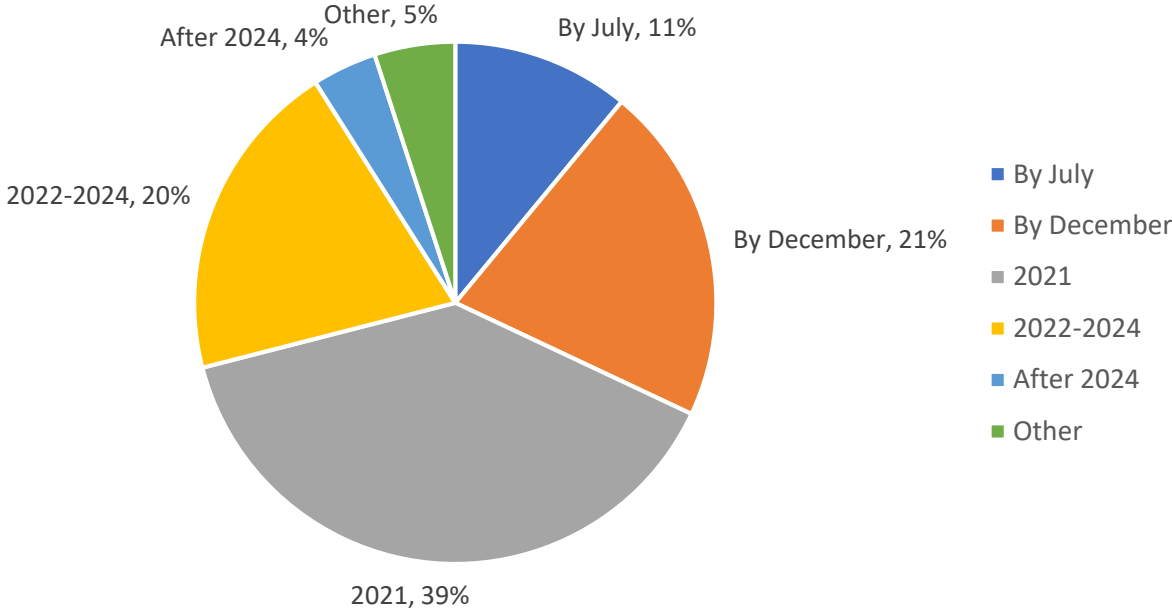
About 40% of small business owners successfully submitted an application for an EIDL through the SBA website. Among those who submitted an application, most (77%) requested the emergency grant of up to \$10,000. About 10% did not, likely due to applying for the EIDL before the emergency grant became available through passage of the CARES Act on March 27, 2020. Of those who requested the EIDL emergency grant, about 10% have received the funds. The Emergency Grant was designed to offer a financial bridge (to be received 3 days after applying for the EIDL loan) between when the owner applied for the loan and when the loan was deposited in the account. The SBA limited the grant to \$1,000 per employee due to the high demand for the grant. Of those who received emergency grant money, just under half (47%) received the full \$10,000 emergency grant. Another 20% received between 5,000 and \$9,000. About one-quarter received between \$2,000-\$4,999 in grant funds and 10% received \$1,000. Essentially, all of the EIDL applicants (99%) have yet to receive the loan.

Of those who had not yet submitted an EIDL application, about 9 percent were in the process of applying before the program ran out of funding.

The economic impact created by the Covid-19 outbreak and policies related to it is immense. Most small business owners believe it will take beyond 2020 and into the years following to get back to normal economic activity. About one-third of small business owners believe their community will be back to a normal level of economic activity by the end of the year. Just under 40% believe more normal levels

of economic activity will return in 2021. A quarter of owners believe it will not be until 2022 or later before the economy returns to normal.

When will local economy return to near pre-crisis levels of economic activity?



The immediate need for financial support for small businesses cannot be overstated. In an earlier survey (March 30), about half of small business owners said they would not be able to continue business operations under current economic conditions for more than 2 months. Small business owners are depleting their savings and other resources to hold on to valuable employees until they receive their loan(s). The longer it takes until loans are deposited, small business owners will increasingly adjust business operations and layoff additional employees in order to survive.

Methodology

This survey was conducted with a random sample of NFIB's membership database of about 300,000 small business owners. The survey was conducted by email on April 17, 2020. NFIB collected 885 usable responses.

Questionnaire

1. Have you submitted an application for a Paycheck Protection Program (PPP) loan?

74% 1. Yes

26% 2. No

2. Has the loan been deposited to your bank account yet?

20% 1. Yes

79% 2. No

3. If you submitted an application, how much of the total loan amount are you expecting to be forgiven after the 8-week forgiveness period?

49% 1. 100% of the loan

27% 2. 75-99% of the loan

6% 3. 50-74% of the loan

3% 4. Less than 50% of the loan

15% 5. I don't know.

4. If you have not submitted an application yet, are you in the process of applying for a PPP loan?

26% 1. Yes

74% 2. No

5. Have you submitted an application for an SBA Economic Injury Disaster Loan (EIDL)?

40% 1. Yes

60% 2. No

6. Did you request the Emergency Grant when you applied for the EIDL loan?

77% 1. Yes

10% 2. No

12% 3. I don't know.

7. Has the EIDL emergency grant been deposited to your bank account yet?

10% 1. Yes

90% 2. No

8. If so, how much did you receive?

10% 1. \$1,000

- 24% 2. \$2,000-\$4,999
- 20% 3. \$5,000-\$9,999
- 47% 4. \$10,000

9. Has the EIDL loan been deposited to your bank account yet?

- 1% 1. Yes
- 99% 2. No

10. If you have not yet submitted an application, are you in the process of applying for an EIDL loan?

- 9% 1. Yes
- 91% 2. No

11. How long do you think it will take before your local economy is back to near pre-crisis levels of economic activity?

- 0% 1. It is now
- 11% 2. By July
- 21% 3. By December
- 39% 4. Sometime in 2021
- 20% 6. Between 2022-2024
- 4% 7. After 2024
- 5% 8. Other _____

12. Please classify your major business activity, using one of the categories of examples below.

*If more than one applies, circle the one which contributes the most toward your gross sales or total revenues.

- 14% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
- 14% 2. Manufacturing and mining (dairy processor, printer, publisher, etc.)
- 6% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
- 5% 4. Wholesale (grain elevator, equipment distributor, manufacturer's rep., etc.)
- 20% 5. Retail (service station, restaurant, bar, radio and TV store, drug store, apparel, etc.)
- 5% 6. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)
- 6% 7. Financial, insurance, real estate
- 22% 8. Services (house cleaning, auto repair, salon, etc.)

- 9% 9. Professional services (attorney, physician, skilled nursing, etc.)
- 1% 10. Other (please describe) _____

13. Number of Employees

- 7% 1. No employees
- 16% 2. 1-2 employees
- 25% 3. 3-5 employees
- 19% 4. 6-9 employees
- 18% 5. 10-19 employees
- 11% 6. 20-49 employees
- 4% 7. 50-199 employees
- 1% 8. 200-499 employees