

How to Get Small Business Loans During the Coronavirus Crisis

During this [COVID-19 pandemic](#), many small businesses suffered. The pandemic especially hit [pure play businesses](#) hard. Many small business owners lost customers and much-needed money. The nationwide shutdown caused businesses to shut their doors for months. However, there are lifelines for small businesses during this [bear market](#). Small business owners can receive help from government loans.



This TradingSim article will help small business owners find information about how to apply for loans. These small business loans can help them navigate this crisis. In this article, I will also present the challenges and success stories of the loans. These stories can help small business owners have the information to save their businesses.

How have small businesses been impacted by COVID-19?

The coronavirus quarantines devastated many small businesses. Many shops closed because of the economic slowdown. Deborah Weinswig is CEO and founder of retail advisory and research firm Coresight Research. She believes that [15,000 small businesses will close if the crisis continues.](#)

“I think we will see an increase in the number of Chapter 7 [bankruptcy filings]. Nobody knows how to deal with this,” said Weinswig.

Holly Wade is the director of research and policy analysis for the National Federation of Independent Business. During the coronavirus, she notes that it’s hard for [small businesses to maintain](#) cash flow during this economic crisis.

“Cash flow, even in a good economy is often a struggle for small businesses. But, now it has turned into one of the most, if not the most, important obstacle that they face,” said Wade.

In this uncertain economy, Wade also notes that small business owners are going through different situations that [depend on their industries.](#)

“Small business owners are having to navigate a very, very uncertain future right now and it’s not a one size fits all impact on small firms. It depends on the industry, where they’re located, what the degree of the impact is on them,” said Wade.

Minority-owned **businesses**

encouraged to get small business loans



Small Business Loan

Over the past four months, the coronavirus hurt small businesses. However, COVID-19 closures decimated minority-owned businesses. Because of that, the Small Business Association(SBA) encourages business owners of color to apply for the loans.

A recent survey of 500 African-American and Latinx business owners applied for PPP funds revealed a racial disparity. In this survey, the organization found that [only 3 out of 10 business owners](#) received the full fund amount.

Banks shut out minority small

business owners

Many banks disburse small business loans to companies. When banks disburse funds, few minority business owners receive funding through banking institutions. In the survey from the Association for Enterprise Opportunity , it found that [only 6% of minority-owned businesses receive bank funds.](#)

Karl Franz Williams is a Black business owner in Harlem. In his experience as a small business owner, he notes that Black and Latinx entrepreneurs [face additional hurdles when they apply for loans.](#)

“There are issues for Black and brown entrepreneurs that were there before. They are considered less bankable with equal credit scores and resumes, that is all part of the problem,” said Williams.

Minority small businesses hurt by lack of clientele

Many Black-owned businesses face challenges for many reasons. However, a key reason they struggle is that their customers don't have as much money to spend since March. Since the government shutdown, [Black unemployment is high at 15%.](#) Belinda Archibong is the associate professor at economics at Barnard College. She notes that the high unemployment rate of African-Americans hurt minority small businesses.

“The consumption and spending power of black communities was most highly hit because of high unemployment. It's a big challenge in terms of thinking of how we will address these issues to ensure that the racial wealth gap doesn't worsen,” said Archibong.

Connie Evans is the Association for Enterprise Opportunity's president and chief executive. In her business expertise, she

noted that local minority small businesses [must receive loans to survive.](#)

“These local businesses in the community, just because they don’t have a strong balance sheet like a large corporation doesn’t mean they are high risk. They are essential in the community,” said Evans.

How to apply for the Paycheck Protection Program



Paycheck Protection Program

The Paycheck Protection Program (PPP) is one program that can help small business owners during the coronavirus. The program is part of the CARES (Coronavirus Aid, Relief, and Economic Security) Act. Small business owners can apply for the loan through the [Small Business Administration website.](#) In the PPP program, loans [pay off outstanding business debts.](#) In addition, companies use the funds [for other business needs.](#)

“These loans may be used to pay debts, payroll, accounts payable and other bills that can’t be paid because of the disaster’s impact that are not already covered by a Paycheck Protection Program loan,” said the Small Business Administration.

The low-interest loans have a rate of 1%. The businesses don’t have to pay fees to receive the loans. The small businesses also don’t have to put up collateral to receive funds.

The loans have a maturity of two years if the government gives the loans before June 5. If the small businesses received loans after June 5, they must be paid within five years.

Small business owners can apply through their banks or credit union. Because the coronavirus has disproportionately impacted minority-owned businesses, they are encouraged to apply for loans. The deadline to apply is August 8.

Who qualifies for the Paycheck Protection Program loan?

Small businesses with less than 500 employees qualify for the PPP loans. If small businesses have more than 500 workers, they must be a non-profit or a veterans’ group. Native American tribal businesses also qualify for the loans.

Some companies have lost value because they don’t have a [successful trading strategy](#). In that case, they can qualify for the loans. Also, independent contractors and self-employed people like [day traders](#) can apply for PPP loans as well.

How does the Small Business Association forgive PPP loans?

Small business owners can apply for loan forgiveness loans through the [Small Business Association](#) website. Through this

program, the government forgives PPP loans when businesses use funds to meet employees' payrolls. The Paycheck Protection Program loan payments defer for six months.

Treasury Secretary Steve Mnuchin also wants Congress to [forgive small business loans](#). During testimony before Congress, Mnuchin said that the government should act to forgive more loans.

"I know one of the things we'll talk about is: Should we just have forgiveness for all the small loans? That's something we should consider. We should obviously make sure there's some fraud protection, " said Mnuchin.

How do small business loans affect employees?

The government forgives small business loans if the companies retain their employees for full-time employment. Small businesses have to use 60% of the funds towards payroll costs, including health care. The Small Business Administration cuts the loan amount if the company reduces its workforce.

If the company cuts staff, the government cuts the loan payment as well. If a company lays off and rehires staff, the disbursement won't be affected. When small business owners have more questions, they can consult a complete list of frequently asked questions and answers are [on the SBA website](#).

Economic Impact Disaster loans can help small businesses

In addition to the Paycheck Protection Program loans, the Economic Impact Disaster Loans (EIDL) are also available. The Small Business Administration gives loans to businesses after disasters strike. Even though the \$20 billion advance funds

have currently run out, small businesses can still [apply for the loans here](#) until December 31.

The previous advance loans provided \$1,000 per employee of a small business. Independent contractors were also eligible to receive \$1,000. The greatest amount that small businesses could receive through EIDL was \$10,000.

The small business loans help small company owners and freelancers. In a statement, the Small Business Administration explained the [purpose of the program](#).

“Following the enactment of COVID-19 emergency legislation, the SBA provided nearly six million small businesses employing 30.5 million people with \$20 billion through the unprecedented EIDL Advance program,” said the Small Business Administration.

“This program, built from the ground up in less than two weeks, assisted millions of small businesses, including non-profit organizations, sole proprietors and independent contractors, from a wide array of industries and business sectors,” said the Small Business Administration.

What are the requirements for the EIDL?

To qualify for the EIDL, small businesses must pass a credit check. The interest rate is 3.75% for small businesses and 2.75% for non-profits. The loans can take 30 years to repay. The loan repayment is delayed for a year. However, interest accrues during the year-long payment delay.

Loans over \$25,000 may require small business owners to put up collateral. If loans total over \$200,000, a personal guarantee may be required for the loan.

How are EIDL's used?

EIDL's maintain payroll and health care for small business employees. With the loans, businesses pay off debt and increased supply costs. In addition, EIDL's also have to be used to pay rent and other expenditures.

Can EIDLs restart to help small businesses?

The EIDL reduced its advances from \$2 million to \$150,000. As a result, many businesses haven't received funds.

Politicians want to re-open and expand the EIDL. New York senator Chuck Schumer leads a group of senators in this battle. They want to re-instate the \$2 million that can be granted to small businesses. Recently, Schumer and the other senators alleged that the [Small Business Administration reduced the funds without warning them.](#)

"The SBA has no excuse for its stubborn refusal to communicate transparently with the public or with Congress, and for its complete disregard for Congressional intent in the delivery of this critical assistance," said the senators.

The senators also allege that the SBA is "completely disregarding current law and Congress' clear intent that, in accordance with the CARES Act, small businesses be allowed to borrow up to \$2 million to respond to the COVID-19 pandemic".

Community Development Financial Institutions get extra funding for small business loans



Community Development

The Small Business Administration has responded to criticism about bypassing small businesses by giving more grants. In response, The SBA recently gave an additional \$10 billion in Paycheck Protection Loans to [Community Development Financial Institutions \(CDFI's\)](#).

William Michael Cunningham, an economist and banking expert, praises the additional funding for the CDFI's. However, he saw greater funding as evidence that small businesses [are in more trouble than previously believed](#).

He noted that “the downside is that the speed with which SBA has come up with this additional funding may indicate that the economic situation is worse than we thought.”

CDFI's help fund underserved small businesses

In many neighborhoods, CDFI's are banking institutions that are very helpful to small businesses. With CDFIs, they're institutions that specialize in providing loans to low-income and minority communities.

John Holdsclaw is board chair of the Coalition of Community Development Financial Institutions. Because of his experience with small business loans, he noted the importance of the [CDFI's to provide small business loans](#).

“These institutions provide equity in these black and brown, low-income communities. They were created to be able to provide fairly priced loans and a place to build assets. It’s not about profit, it’s about creating access,” Holdsclaw.

Janie Barrera, CEO of CDFI LiftFund, [notes that the financial institutions help small businesses](#) and do much more.

“It’s a ripple effect, small-business owners generate revenue for the state, employ others in their community who utilize that money to put food on their table,” said Barrera.

CDFI’s offer PPP small business loans

In order to help small businesses, the SBA is providing \$10 billion to CDFI’s to help small businesses. In a statement, SBA administrator Jovita Carranza explained the purpose of the expanded loans.

“The forgivable loan program, PPP, is dedicated to providing emergency capital to sustain our nation’s small businesses, the drivers of our economy, and retain their employees,” stated SBA Administrator Jovita Carranza.

“CDFIs provide critically important capital and technical assistance to small businesses from rural, minority, and other underserved communities, especially during this economically challenging time.”

Through CDFI’s, small business owners can get more funding for their companies. As a result of the SBA help, the CDFI’s use the extra funding to loan small businesses more money. Kevin Cohee is CEO of the OneUnited CDFI. Through that community financial development institution, OneUnited disbursed Paycheck Protection Program loans to gig workers.

“The first PPP loan we processed was an Uber driver. The

reason we did that was to make the point that it's the smallest among us – the one you could lose money on – that need the most help,” said Cohee.

If small business owners want more information about small business loans, they can find their [local CDFI here](#).

Lowe's offers small business grants

In addition to community development financial institutions, corporations are offering small business loans as well. To help many small businesses, home improvement chain Lowe's is giving [\\$25 million in grants to rural small business owners](#).

In addition to those funds, the corporation will also offer \$30 million in grants to minority-owned businesses. As a result, Lowe's is partnering with the Local Initiatives Support Corporation to disburse the grants.

In a statement, Lowe's Chief Brand and Marketing Officer Marisa Thalberg spoke about the opportunities offered to small businesses.



Lowe's is offering small business grants during COVID-19
 "As we started recognizing where the [pandemic] impact was being felt, we just felt that there wasn't enough conversation around the impact in rural America," said Thalberg.

During the COVID-19 pandemic, Andarrio Johnson is a business owner [Lowe's helped with the grant.](#) The caterer received \$20,000 from the company to keep his business afloat. He's grateful to Lowe's for the grant.

"It meant a lot I couldn't believe these companies are actually looking at minority small businesses – I couldn't even believe it, it's a dream come true," said Johnson.

Because Lowe's assisted him, Johnson wants to take some of his grant money to give back to the community.

"I just felt like it's a way to give back and if you give you receive and look- example right now Lowe's just gave me something. It feels great, it feels great I can't believe it sometimes," Andarrio Johnson said.

If entrepreneurs want more information, small business owners can [apply for the grants here](#).

Verizon gives grants to small businesses

In addition to Lowe's, Verizon is also helping [small business owners with grants](#). In order to help businesses, the company's Small Business Recovery Fund is giving \$7 million in grants to small businesses. Rose Stuckey Kirk is Chief Corporate Social Responsibility Officer of Verizon. In a statement, she explained Verizon's initiative to help small businesses.



Verizon is helping companies that didn't receive small business loans

"Verizon recognizes how valuable small businesses are. The economic stability of our communities is based on their success. It's critical that we lean in and support these businesses. So they can continue to sustain themselves during this unprecedented time of need," said Kirk.

If entrepreneurs want to find out if they're eligible for the [Verizon grants, they can apply here.](#)

Beyonce offers small business assistance

While many celebrities grab attention for themselves, many are giving back to small businesses. Beyonce is one celebrity that gave back to small businesses. Recently, the superstar

partnered with the NAACP to give \$10,000 in grants to Black-owned small businesses.

“Over the last couple of months, the pandemic and outpours for justice throughout the Black community and across the country has been felt in every imaginable area of our lives, including in how our local businesses continue to operate,” noted the [NAACP website](#).

“The challenges of Black business owners navigating in the climate cannot be understated, as the effects of uprisings across the nation have led to many businesses being placed in dire straits due to damages and other small business needs,” added the civil rights organization.

While the loan’s deadline has passed, the NAACP still has a [list of state resources for small businesses here](#).

Magic Johnson offers small business grants

NBA legend and successful entrepreneur Magic Johnson is [stepping in to help small businesses](#) that were left out of the Paycheck Protection Program loans. As a business owner himself, he knows the challenges that small businesses currently face in the COVID-19 era.

“We have to remember that these businesses have been in urban communities for a long time. They’ve been doing great things, and they probably didn’t have a relationship with the banks when the stimulus package went out. So now, we’re able to say, ‘Hey, you can have a relationship with us,’” said Johnson.

In his partnership with MBE Capital, he is offering \$100 million in loans to minority-owned businesses. As a business owner, he knows how pivotal small businesses are to a community.

“This[the loans] will allow them to keep their employees and keep their doors open”, said Johnson.

If small business owners want to apply for PPP loans through MBE Capital, [they can apply here.](#)

Doonie Fund helps female-owned small businesses

The Doonie Fund is an organization that helps female-owned businesses. Since April 2020, founder Kathryn Dooney has given thousands of dollars to women-owned small businesses. Finney explained [how the fund has helped women entrepreneurs.](#)

“We’ve seen entrepreneurs who were able to, with the Doonie Fund micro investment, pivot their businesses to adapt to these challenging times. Some used it to gain new customers and increase revenue, and others simply needed it to buy groceries or pay for utility bills to sustain their livelihood, so that they can focus on pivoting their businesses during this time,” said Finney.

For women business owners who are interested in applying, [they can visit the Dooney Fund site.](#)

Small banks help give small business loans

Some businesses that benefitted from the PPP loans include Dallas-based fitness equipment company CommFit. CEO Seth Gordon noted that his local bank, Live Oak, was helpful in [disbursing the funds to his business.](#)

“As the rules of engagement changed, Live Oak was extremely helpful. We were really lucky to work with a great bank. I do have friends that are lost right now trying to figure out how to get money,” said Gordon.

Gordon noted that the Paycheck Protection Program loans [will help keep his business afloat.](#)

“It’s rare that you get to take advantage of government subsidies, so we feel very fortunate. You hate that it’s under these circumstances, but this is extremely helpful and relieves the short-term pressure. Now, if this becomes a six-month or 12-month or 18-month issue, this money will only last so long,” said Gordon.

Jesse Safir is the owner of ABG Print. When his business needed funding, he noted that his small bank, Live Oak, [helped process his PPP loan.](#)

“The big banks, all their call centers are down, they can’t process the volume right now. Live Oak knows me, knows my loan, there’s less ambiguity. And I’m already a borrower, and that’s so important, because think about the incentive that puts on them,” said Safir.

Many small banks assisted small businesses when they needed help. While there were success stories, the Paycheck Protection Program loans have encountered problems as well.

Small business loan delays hurt entrepreneurs

While some businesses have been helped, [some businesses are still struggling to receive funds.](#) The \$670 billion PPP loans promised to big businesses ran out of money within days. Many small business owners are scrambling for funds to help their businesses the coronavirus-caused shutdowns.

Jaja Chen is a business owner that applied for PPP loans in March. She’s the owner of the Waco Cha bubble tea shop in Waco, Texas. Even though her loan was approved in June, she still hasn’t received her funds.

PPP loan system leads to small business loan delays

In response, SBA representative Sean Smith, [wrote in an email to Chen](#) that the loan system had a temporary error.

“The system had a temporary glitch that affected initial disbursements. There is a chance that some people got overlooked for the initial disbursement,” wrote Smith.

The SBA loan processing system, E-TRAN, was overwhelmed by the thousands of PPP applications. A spokesperson for the SBA [explained the technical problem.](#)

“The pacing mechanism prevents any one lender from submitting thousands of loans an hour into the E-TRAN system. If a lender goes above the pacing limit they will get timed out,” said the spokesman.



Large retailer J.C. Penney and small businesses suffered during COVID-19

Chen noted that the delays in Paycheck Protection Program loans have delayed the [re-opening of her store.](#)

“We can’t just continue waiting. We are very thankful that despite the federal issues we have been able to actually continue to grow our business and recoup some of our losses through creating new ideas and concepts,” said Chen.

Another small business owner who was shut out of PPP loans was David Lee. He’s the owner of Blue Moon Construction in Tampa, Florida.



The decline of the Dow Jones caused a greater need for small business loans

Lee is frustrated with the delayed and reduced funding [he and his employees received from the EIDL program.](#)

“We feel shortchanged. This was our only access to the stimulus,” said Lee.

Lee feels that the PPP disbursement was erratic and feels betrayed by the Small Business Administration.

“Now they’re pulling the rug out from under us. It feels like the government is overlooking America’s smallest companies,” said Lee.

Kanye West receives PPP loans,

while small businesses shut out

[According to reports](#), billionaire rapper and presidential candidate Kanye West received between \$2-\$5 million for his Yeezy company through PPP loans. Other famous organizations like the Los Angeles Lakers have received funding. The team received funds that didn't help small businesses. [The NBA team returned the \\$4 million](#) the organization received.

"Once we found out the funds from the program had been depleted, we repaid the loan so that financial support would be directed to those most in need," said the Lakers in a statement.

PPP loan program flaws exposed

In addition to the funds going to wealthy organizations, there are other flaws in the Paycheck Protection Program. Many businesses have to spend 70% of the loans on employee payroll.

Michael Minnis is an accounting professor at the University of Chicago Booth School of Business. He said the PPP loans [focus too much on employee payroll and ignores other needs](#), like utilities and rent.

"The design was to help companies fund their payroll. One can step back and say, 'Gosh, is that the design we wanted to have?'" said Minnis.

Minnis also noted that not all small businesses can disburse the loans equally because there are different business sizes.

"It wasn't called the small business protection program or the microbusiness protection program. Companies in the 100- to 500-employee range have more payroll dollars than companies in the under-100-employees range. That's just math," added Minnis.

The government vows to clear small business loan roadblocks

In response to the criticism, Small Business Administration Associate Administrator James Rivera acknowledged that [the government agency made mistakes.](#)

“We didn’t communicate ahead of time, and in hindsight we probably should have,” said Rivera.

The Small Business Administration vowed to take more action to [streamline the small business loan application process.](#)

“The [SBA] is trying to go through the apps to see that everyone that is due an initial disbursement will get one,” said the SBA in a statement.

“The SBA is strongly committed to working around the clock”, added the Small Business Administration.

The SBA notes that it’s “providing dedicated emergency assistance to the small businesses and non-profits that are facing economic disruption due to the COVID-19 impact.”

Government vows to streamline PPP loan forgiveness application process

For entrepreneurs that are fortunate enough to secure PPP loans, there is still a complicated process to fill out loan forgiveness forms.

Erik Asgeirsson, president and CEO of CPA.com, [spoke about how to simplify the PPP loan forgiveness process.](#)

“From the beginning [of the PPP], we’ve been issuing documents with what our recommendations were and our suggestions on how

loan forgiveness works. And now we've put it all into one application process," said Asgeirsson.

"This tool hopefully will also encourage people with the next phase of business relief to make sure that complexity in the process is not a reason to not get the assistance they need," Asgeirsson says.

If small business owners want to apply for the loan forgiveness program streamlined process, they can [apply here](#).

Treasury Secretary vows to make changes

In the wake of the outrage about the PPP loan disbursements, there may be changes. Treasury Secretary Steve Mnuchin promised to streamline the process. In testimony before Congress, he talked about [possible PPP loan forgiveness](#). He also vowed not to show preferences to big businesses that don't need the loans as much as small businesses. Mnuchin wants to act to prevent widespread fraud in the Paycheck Protection Program.

"I know one of the things we'll talk about is: Should we just have forgiveness for all the small loans?" That's something we should consider. We should obviously make sure there's some fraud protection," said Mnuchin.

"This time we need to have a revenue test and making sure money is going to businesses that have significant revenue declines," added Mnuchin.

Local governments step in to help small business owners

In response to the sluggish national government response, many small local governments are helping small businesses. Harris

County in Texas has stepped in to disburse \$10 million in loans to small companies. The small business loans come from Harris County's own emergency fund to help small businesses. Harris County Commissioner Adrian Garcia noted that the county's loan program was [simplified to assist small businesses](#).

"The federal government is so far removed from the local community that it didn't think about, and it can't think about, simplicity," said Garcia.

"My charge to my staff was to keep it simple. We got to make this easy to apply for and user friendly," added Garcia.

In the partnership with CFDI LiftFund, the Harris County PPP loans are at \$25,000 at 0% interest. Loan payments are deferred for the first three months. The loans are repaid if the businesses remain open after five years.

In addition to Houston's Harris County providing small business loans, Corpus Christi, Texas city manager Peter Zanoni is taking action as well. He [wants to help local small businesses secure funds](#).

"We wanted to have locals feel comfortable, to have access to a human being, to give small-business owners who may not be sophisticated with some of these federal programs the ability to not feel intimidated to access credit," said Peter Zanoni, city manager of Corpus Christi.

Other resources for other small business loans

If local businesses need other resources, there are ways they can receive funds. Nav is a company that helps small businesses obtain loans and grants. The company [offers small business grants](#) through October. Small business owners become Nav members. After becoming members, entrepreneurs can apply

for the \$10,000 loans that are disbursed every quarter. The deadline is September 1 for the fall grants.

In addition to that assistance, small business owners can [apply for multiple loans and grants online](#). Small businesses can also try fundraising sites online or try microloans as well. By conducting research and reaching out to fellow entrepreneurs, small business owners can get the resources to help their companies survive.