

Covid-19 Small Business Survey (PPP, EIDL, Main Street Lending, Paid Sick Leave)

NFIB Research Center

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The economic crisis began in earnest Friday, March 13th for many small business owners when states started imposing business restrictions and stay-at-home orders to slow the Covid-19 outbreak. Congress quickly passed legislation to help support small business owners largely through the creation of the Paycheck Protection Program (PPP) and additional funding for the Economic Injury Disaster Loan (EIDL) program. The EIDL program is essentially closed to new applicants due to the large number of applicants and funding constraints. The PPP received two rounds of funding and is still open to new applicants.

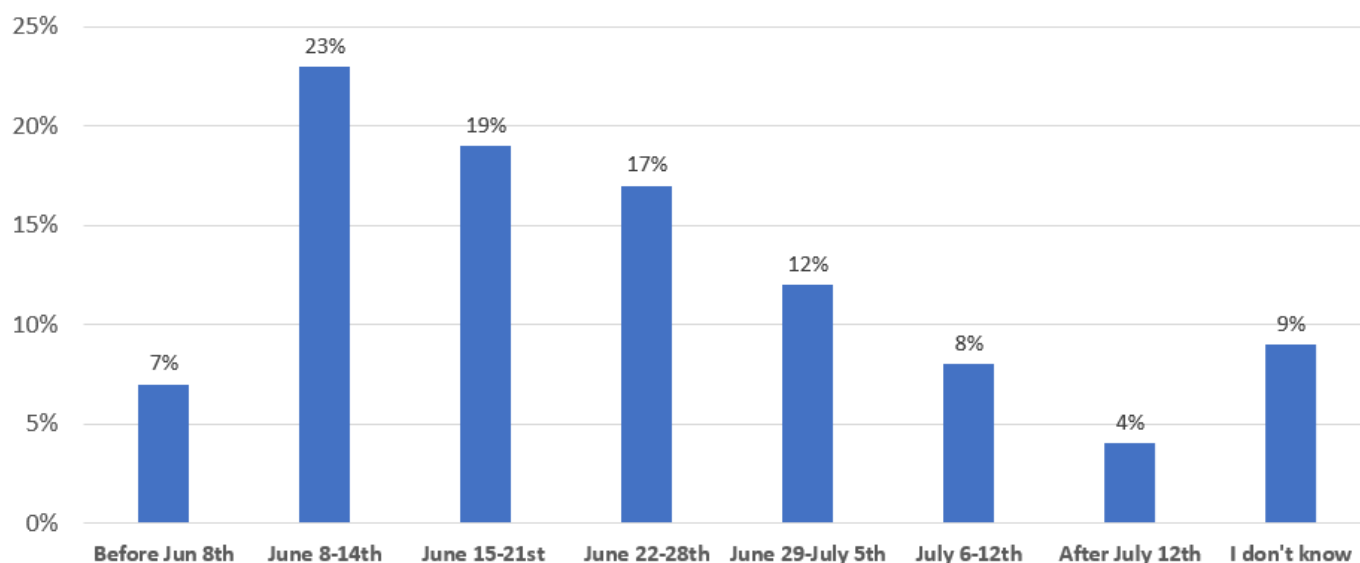
The seventh edition of the NFIB Covid-19 Small Business Survey provides an update on the utilization and financial assistance of both small business lending programs, familiarity with the Main Street Lending Program, and prevalence of Covid-19 related employee leave.

The popularity of the PPP loan program drew strong interest among small business owners from the beginning. The PPP loan provides significant financial assistance for those owners who can take advantage of the loan's grant provision. The loan will be forgiven if the business owner keeps employees on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Over three-quarters of small business owners (77%) have applied for a PPP loan. Almost all who have applied (93%) have received the loan. The percent of owners applying for the loan has not changed much over the last month indicating that most small business owners interested in the loan have already applied. Owners not applying for a loan may not have been in a position to use the loan easily or may not realize that they are eligible, especially those who are self-employed.

The PPP loan forgiveness conditions require small business owners to spend funds in an 8-week period starting the day they receive the loan. Qualifying expenses paid within the 8-weeks may be eligible for forgiveness. Most small business borrowers are currently in the middle of their 8-week forgiveness window with some nearing the end of it. The 8-week period ends before June 8th for 7% of small business PPP borrowers. Another 23% of borrowers report that their 8-week period ends between June 8-14th. Just over one-third (36%) of borrowers will move through to the end of their 8-weeks the 2nd half of June. The remaining 24% of borrowers are still in the early weeks of using their loan with their 8-weeks ending in July. About 9% of borrowers don't know when their 8-week window ends, presumably because they recently received their loan.

When does your 8-week forgiveness window end?

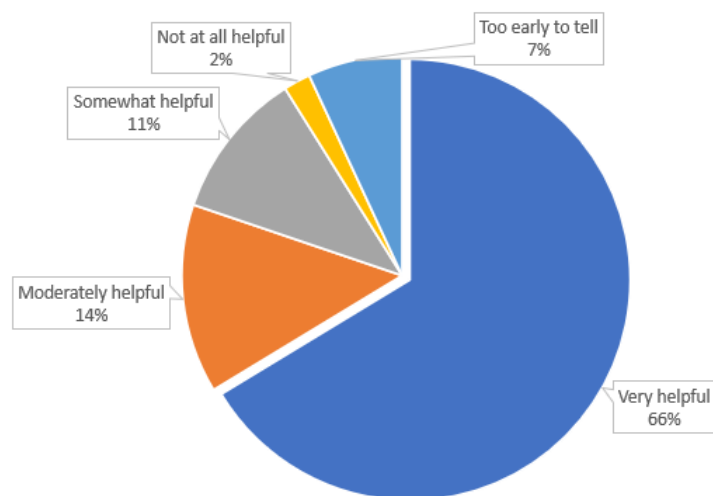


Small business owners are not required to spend the entire loan within the 8-weeks but as previous surveys have shown, most borrowers are primarily interested in the forgiveness provision and anticipate using most, if not all, within the 8-weeks. Almost one-quarter of borrowers who have received the loan have already used at least 75% of the proceeds with 4% having used the entire loan already. Just over one-third (34%) have used between 50-75% of the loan and another 25% have used between 25-49% of the loan to date. Thirteen percent have used less than a quarter of their loan and 5% have not started using the loan proceeds yet.

The SBA released the PPP loan forgiveness application Friday, May 15th. Small businesses are required to complete the application and submit it for approval with the financial institution from which they received their loan. About 60% of small business borrowers have reviewed the application and 40% have not. The loan forgiveness application is an 11-page document with forms to fill out and instructions. The terms and conditions of forgiveness can be complicated for certain types of businesses, especially those that are labor intensive and had to reduce staff due to the economic crisis. About half of small business borrowers are using a CPA or similar professional to help fill out the PPP loan forgiveness application. Just over half are filling out the application themselves or having someone on staff fill it out. The terms and condition of loan forgiveness requires reporting and documentation of qualifying expenses, and when those expenses are incurred and paid. Over half (54%) of small business borrowers are using an Excel workbook to keep track of those expenses, 47% are not. Those who are not using an Excel workbook to track expenses might be relying on their CPA or similar professional to track or collect required documentation.

The vast majority of small business owners (67%) who have a PPP loan have found the loan very helpful in financially supporting their business. Another 14% report that the PPP loan is moderately helpful and 11%, somewhat helpful. Only 2% said that the PPP loan is not at all helpful and 7% said that it is too early to tell.

How helpful is the PPP loan in providing financial support for your business?



■ Very helpful ■ Moderately helpful ■ Somewhat helpful ■ Not at all helpful ■ Too early to tell

Of the 35% percent of respondents who applied for an EIDL loan, 57% have been approved so far, 38% have not heard yet about the status of their application, and 5% were denied. About 36% of EIDL applicants have received the loan, up from 21% who had received the loan as of May 18th. Sixty-nine percent of those who requested the EIDL emergency advance have received those funds.

The Main Street Lending program is a new lending program created by the Federal Reserve targeted to larger small and medium size businesses. The loan program offers low interest loans (3% + 3-month Libor), 4-year loan that allows payment deferral for up to one year. The minimum loan amount for this program is \$500,000. Very few small business owners are familiar with the program as only 12% report that they are somewhat familiar with the program. Just a few small business owners (less than 1%) were more familiar with it. The vast majority of small business owners, 88%, were not familiar with it at all. After providing a brief description of the program, only 1% anticipated applying for a Main Street loan and another 21% responded maybe. The majority of respondents (78%) do not anticipate applying for one of these loans.

The survey also asked about the Covid-19 related paid sick and family leave as mandated and offered by the Families First Coronavirus Response Act (FFCRA). Very few small employers have had an employee take leave related to Covid-19, about 13%. Of those who have had an employee take leave related to Covid-19, 30% of those employers have claimed the tax credit for reimbursement of those costs and 70% have not.

The vast majority of small businesses are negatively impacted by the economic crisis as most stay-at-home orders are still in place, although starting to be relaxed slowly. About 29% of respondents are in an industry directly impacted from mandated business restrictions. The process of getting back to more normal economic activity will take some time with 40 million jobless claims and an unemployment rate that will likely reach into the 20% range. Both the PPP and EIDL small business loan programs are providing vital financial assistance to many small business owners. Increased flexibility of PPP loan forgiveness requirements and expedited processing of EIDL loans would improve conditions for even more small business owners.

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 May 29-30, 2020. NFIB collected 619 usable responses.

Questionnaire

05-29-2020

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

77% 1. Yes

23% 2. No

2. If yes, has the loan been deposited to your bank account yet?

93% 1. Yes

7% 2. No

3. When does your 8-week forgiveness window end?

7% 1. Before June 8th

23% 2. June 8-14th

19% 3. June 15-21st

17% 4. June 22-28th

12% 5. June 29-July 5th

8% 6. July 6-12th

4% 7. After July 12th

9% 8. I don't know

4. Have you read through the loan forgiveness application that was recently posted on the SBA website?

60% 1. Yes
40% 2. No

5. Are you using or plan to use a CPA (or similar) to help fill out your PPP loan forgiveness application?

48% 1. Yes
53% 2. No

6. Are you using an excel worksheet to keep track of PPP loan expenses?

54% 1. Yes
47% 2. No

7. How much of the loan have you spent to date?

4% 1. 100%
21% 2. 75-99%
34% 3. 50-74%
25% 4. 25-49%
13% 5. 1-24%
5% 6. None

8. How helpful is the loan in providing financial support for your business?

67% 1. Very helpful
14% 2. Moderately helpful
11% 3. Somewhat helpful
2% 4. Not at all helpful
7% 5. Too early to tell

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

35% 1. Yes
65% 2. No

10. Has your application been approved, denied, or have you not heard yet?

57% 1. Approved
5% 2. Denied
38% 3. Have not hear yet

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

36% 1. Yes
64% 2. No

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

72% 1. Yes
15% 2. No
13% 3. I don't know.

13. Has the EIDL Emergency Grant been deposited to your bank account yet?

69% 1. Yes

31% 2. No

14. How familiar are you with the Main Street Lending Program, a new small business lending program through the Federal Reserve?

0% 1. Very familiar

12% 2. Somewhat familiar

88% 3. Not at all familiar

The Main Street Lending Program is a low interest (3% + 3-month Libor), 4 year loan that allows payment deferral for up to one year. The minimum loan amount for this program is \$500,000.

15. Do you anticipate applying for a Main Street loan?

1% 1. Yes

78% 2. No

21% 3. Maybe

16. Is your business or business operations currently restricted by a government order due to a Covid-19 (i.e., closed, limited capacity, etc.)?

29% 1. Yes

71% 2. No

17. Have any of your employees taken Covid-19 related paid sick leave or family leave as mandated and offered through the Families First Coronavirus Response Act (FFCRA)?

13% 1. Yes

87% 2. No

18. If yes, have you claimed the tax credit for reimbursement of those costs?

30% 1. Yes

70% 2. No

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

13% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)

12% 2. Manufacturing and mining (dairy processor, printer, publisher, etc.)

5% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)

4% 4. Wholesale (grain elevator, equipment distributor, manufacturer's rep., etc.)

22% 5. Retail and Restaurants

6% 6. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)

6% 7. Financial, insurance, real estate

20% 8. Services (auto repair, house cleaning, salon, etc.)

9% 9. Professional services (attorney, physician, skilled nursing, etc.)
4% 10. Other (please describe) _____

18. Number of Employees

6% 1. No employees
18% 2. 1-2 employees
25% 3. 3-5 employees
17% 4. 6-9 employees
21% 5. 10-19 employees
14% 6. 20-49 employees
6% 7. 50-199 employees
0% 8. 200 or more employees