

## Application Window Opens Monday, April 13, 2020, for NJ Small Business Emergency Assistance Loans - *Client Newsletter*

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On April 3, 2020, the New Jersey Economic Development Authority (NJEDA) announced the Small Business Emergency Assistance Loan Program. The \$10 million program provides low-interest working capital loans of up to \$100,000 to small and mid-sized New Jersey businesses impacted by the outbreak of the coronavirus disease 2019 (COVID-19).

#### **When can I apply?**

The application window for this program opens on **Monday, April 13, 2020, at 9:00 a.m. EST** and is on first come, first serve rolling basis.

**We strongly encourage you to review the loan application in advance and gather the information you will need to apply.** Last week, approximately one hour after the application window opened, funds available under the NJEDA Small Business Emergency Assistance Grant Program were exhausted.

#### **Who is eligible for these loans?**

New Jersey businesses and 501(c)(3), 501(c)(4), and 501(c)(7) non-profit entities that can demonstrate that they were negatively impacted by COVID-19 on or after after March 9, 2020, may be eligible for the loan if they meet the following requirements:

- Registered to do business in New Jersey.
- Physical commercial location in New Jersey (home-based businesses are ineligible).
- Less than \$5,000,000/year revenue.
- Minimum 1-year of existence.
- Global debt-service coverage ratio of 1.00 or better (as of 12/31/19).

- One guarantor with a minimum credit score of 600.
- Tax clearance from the State of New Jersey.
- Good standing with the NJ Department of Labor and Workforce Development.
- Certification indicating that the business will make its best effort to not lay off employees or will re-hire employees as soon as possible.

Certain types of businesses **are exempt by the NJEDA** from the loan program including: businesses related to gambling or gaming activities; businesses engaged in the purveyance of “adult” (i.e., pornographic, lewd, prurient, obscene) activities, services, products or materials (including nude or semi-nude performances or the sale of sexual aids or devices); businesses engaged in auction or bankruptcy or fire or “lost-our-lease” or “going-out-of-business” or similar sales; traveling merchants; Christmas tree sales or other outdoor storage businesses; activities constituting a nuisance; and businesses which are illegal under the laws of the State of New Jersey.

#### **What is the amount and key terms of each loan?**

The amount of each loan is based on the amount identified and requested by the recipient, up to \$100,000. The loan program has no application fee and no fees for the first five years of each loan.

Each loan will be for a 10-year term with 10-year amortization. The interest rates for years 1-5 of the loan are 0%. The interest rate for years 6-10 will be set at NJEDA's prevailing interest rate floor, capped at 3%. Recipients may also defer payments for the first 12 months of the loan.

**This program does not provide for loan forgiveness.**

#### **What are the allowable uses of these loans?**

Applicants must identify how they will use the loan funds. Specifically, applicants must indicate the category of use and the amount required for each category, with supporting documentation. NJEDA has listed the following categories of use in the application:

- Payroll
- Rent
- Mortgage
- Taxes
- Utilities

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- Inventory
  - Other\*

\*NJEDA has not provided guidance on what costs might be eligible under this category.

Our team at Pashman Stein Walder Hayden is available should you have any questions about the Small Business Emergency Assistance Loan Program or its impact on your business. Please feel free to reach out to Frank Huttie or your usual Pashman Stein Walder Hayden attorney.

