

FLOOD 2023 Disaster Lending and State of Vermont Grants for Businesses 101

August 7, 2023

With the Presidential Disaster Declaration in place (Vermont Declaration 18016 & 18017) business owners have some options for financial assistance available to apply to now, and others that will most likely be available shortly.

These disaster recovery updates on the Flood of 2023 will be created and shared by VtSBDC and the RDCs whenever there is new information and actionable steps that you can take. We will break the information into categories (Federal and State).

The VtSBDC Disaster Recovery Guide (DRG).

As a first, and continuing set of steps we have created a very important resource for you that we feel is crucial for you to review and use whether you decide to access the Federal Loan options or not: The VtSBDC Disaster Recovery Guide for Business (DRG). The Guide was created after Tropical Storm Irene by the advising team to assist in future disasters such as this. It lays out a step by step process for you to use in deciding how you want to proceed in the days and weeks and months ahead.

You can use the DRG with a VtSBDC Business Advisor, another trusted advisor or on your own. Our local partners (including the Regional Development Centers) and the three Business Recovery Centers have printed copies of the guide and it can also be accessed on line here:

<https://vtsbdc.org/wp-content/uploads/2017/08/VtSBDC-cover-and-pages-clientdisasterguide.pdf>

We are also updating our special Flood 2023 webpage as needed:

<https://www.vtsbdc.org/flood-2023/>

FEDERAL:

The Declaration for Vermont opens up the SBA Loan options for businesses and Private Non-Profits (loan details below) as follows:

- **Business Physical Damage and EIDL (Economic Injury Disaster Loan)** and Home Owner (this applies additionally if you are a business owner who owns your home and it received damage) **IN** the DECLARED COUNTIES of:
 - Caledonia, Chittenden, Lamoille, Orange, Orleans, Rutland, Washington, Windham and Windsor
 - **APPLICATION DEADLINE for Business Physical Damage: 9/12/2023**
 - **APPLICATION DEADLINE EIDL: 4/15/2024**

- **EIDL (Economic Injury Disaster Loan) only** in the CONTIGUOUS COUNTIES of:
 - Addison, Bennington, Essex, Franklin, Grand Isle

○ **APPLICATION DEADLINE: 4/15/2024**

SBA Business Recovery Centers (BRC) are open at the following locations. Trained SBA staff can assist you with the loan application process:

- **BERLIN:** Vermont Chamber of Commerce, 751 Granger Road
 - Hours of Operation: Monday to Saturday, 8 am to 5 pm
- **LUDLOW:** Temporary Chamber of Commerce at Engel & Volkers Okemo Building, 126 Main Street
 - Hours of Operation: Monday to Sunday, 8 am to 5 pm
- **MORRISVILLE:** The Ag Building, 29 Sunset Drive
 - Hours of Operation: Monday to Sunday, 8 am to 5 pm

PLEASE NOTE: There are already a high number of SCAMMERS in Vermont and on-line. If you are approached personally (FEMA) or for your business (SBA) ask for an ID. Federal FEMA and SBA employees will have an official ID with them at all times. Also, you can make sure you are speaking with the right people by going to the BRC's in person and speaking to an employee with an ID. If a scammer approaches you call the authorities and report it.

SBA and FEMA staff are also going door to door but they will never ask for financial (banking) or personal or business identity information (SS#'s or EIN's) when they are at your location. They will ask for these items if they assist you with an application at a BRC (where they are connected to a secure federal server).

We, at VtSBDC, have received training on this loan program and the steps of the ENTIRE application process and we urge you to speak with us, or another trusted business advisor to make sure that a loan is the correct option for you and your business.

We continue to suggest, if you are closed or your revenues are affected by the flooding, that you:

- Reduce your spending as much as possible to preserve cash.
- Call your vendors to see if you can make new payment arrangements. This would include any loan payments to banks and lending institutions.

Please note that the application process for the loan options for this disaster are more complex and detailed than what you experienced with the COVID EIDL. And we remind you that they are LOANS and will NOT be forgiven now or in the future (like the COVID EIDL). Do not apply and accept these loans unless you know that you can service the debt.

- We have created a Debt Calculator to assist you in figuring out if you can service the additional debt:

Need URL. Jacob – attached is the document to link to

FEDERAL LOAN APPLICATION PROCESS:

The application process for Business PHYSICAL DAMAGE Disaster Loans and Economic Injury Disaster Loans (EIDL) are the same unless otherwise noted in the instructions below.

General Information:

1. Business Property Damage Loans are to repair or replace disaster-damaged property owned by the business, including real estate, inventories, supplies, machinery and equipment.
2. Economic Injury Disaster Loans (EIDL) are working capital loans to help meet 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.
 - a. These loans are determined in conjunction with the assigned loan officer by looking at a pre-determined period of time set for the impact period post flooding and comparing that to income/revenues from the previous years for the same period. If you do this application you will be directed by your loan officer on what material you need to provide.
3. Please note that if you have suffered both property damage and economic injury even though the application deadlines are different the SBA has indicated that checking both boxes on the application will make the process easier.
4. Loan Caps: \$2,000,000 (the cap is \$2,000,000 for either physical damage or economic injury if you apply for just one and is \$2,000,000 combined if you apply for both).
5. Interest and terms will vary as indicated below and you will not know what rate the loan officer has assigned to your loan until the loan offer is made:
 - a. Property Damage & EIDL for businesses is 4% for 30 years.
 - i. For those businesses who fall into the category of Credit Available Elsewhere (which is determined by the loan officer and based on your financials and the ability to borrow money from other sources) the rate is 8% and the term is 7 years.
 - b. The Non-profit rate is:
 - i. Property Damage: 2.375%/30 years
 - ii. Economic Injury: 3.375%/30 years
6. Credit requirements for the loans are:
 - a. Your credit history – you must have a credit history acceptable to the SBA
 - i. If you are denied a loan based on your credit rating you can ask for a reconsideration from your loan officer.
 - b. Repayment – you must show with your business financials the ability to repay all loans.
 - c. Collateral – Collateral is required for physical damage loans over \$25,000 and 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 requires you to pledge what is available.
7. You may use the proceeds of these loans to relocate your business. We suggest you share your plans for relocation with your SBA loan officer.
8. These loans are applied for without the applicant knowing what the amount of the loan will be. The loan officer will review the details of your application and determine the amount of physical damage and economic injury and combine that with your financials (including your credit rating, cash flow and current financial health of your company) and then make an offer.
 - a. You have 60 days to review and decide whether to accept the offer.

- b. The offer will be reduced by the total amount of monies you have received from grants/other loans and insurance settlements after you submitted the application.
 - c. You will be required to use your insurance settlement once it comes to pay back all or whatever portion the insurance covers of the loan.
 - d. At this point you will also know the interest rate and term (number of years for repayment) that is being offered.
 - i. Hint: do NOT inflate the value of your assets. Inflated value can lead to higher interest rates and less years to pay it back.
 - e. If you have other federal loans (including the loans from Irene or COVID) the SBA will release your collateral as the loans are paid off.
 - f. Note that the SBA will NOT COMBINE your current federal debt into one loan.
9. There is no pre-payment penalty for these loans.
10. If you would like to read the fact sheet from the SBA on these loans it is here:
<https://disasterloanassistance.sba.gov/ela/sfc/servlet.shepherd/version/download/0688200000TujFAAS>

The Application:

1. To begin loan process log in here:
<https://disasterloanassistance.sba.gov/ela/s/>
 - The SBA strongly suggests that an on-line application is the best practice.
 - i. The easiest way to set up your account and begin the application process is to go to one of the BRC's noted above and work with a trained SBA Customer Relations person.
 - ii. If you must submit it by mail then they note that the process will take much longer.
 - iii. Note: if you already have an EIDL from IRENE or COVID use your existing username and password.
 - To begin creating your account with the SBA you must have:
 - i. Active Email
 - ii. Smart Device & Camera
 - iii. Driver's License – which you will be required to upload a photo of the front and back. Clear instructions will be provided.
 - Creating an account will involve several steps that are clearly laid out and will require verification (this is for your protection). Have ready:
 - i. A pen and paper
 - ii. Your phone to take screen shots.
 - iii. The SBA recommends adding the second layer of security using the phone option.
 - You will be required to enter your Social Security number. Make sure you are on the SBA.gov website listed above.
 - You must also enter the name of “owner” of your cell phone plan. If you are on a family plan you should have the name of who that person in your family is.
 - i. If you do not have this use your name and phone number again.
 1. This is another reason to go to a BRC as they can assist with these kinds of issues if they arise.

- You will be provided with a Personal Key that you will use to continue. Do not lose this. Take both a photo with your phone and write it down and keep it in your Loan Application File (see below for our suggestions on keeping a complete copy of the application).
- You will be asked to verify your identity and log in again using your user name, password and Personal Key and then you will be ready to begin the application process.

2. Application Process:

- You will choose which kind of loan you are applying for – Business Physical Damage or Economic Injury (SBA Form 5).
 - i. There is a box on the first page of the application to choose which loan and the SBA recommends you check both boxes. If you decide later to do an Economic Injury loan then checking this box now will make that process easier.
 1. And if you decide later not to you can simply inform your loan officer that you are not going to go forward with it.
 - ii. Note that if you are a Sole Proprietor you will be asked to do a slightly different application (SBA Form 5C) but your cap amount of \$2,000,000 will be the same
- You will be asked to select the Disaster Declaration, State, County from a Pop-up.
- You will be asked for a Certification as to truthfulness of the information you will be providing in the application.
- Your application number will be automatically generated and will start appearing on every page.
 - i. We suggest having both a paper file and a digital file of your SBA application and all of the supporting documents that will be required to complete the process.
 1. Put your loan application number on the inside of the paper folder. And take a picture on your phone of the number as this will be your main way of keeping tabs on the process in the future.
- You will be required to provide the following information. **IMPORTANT NOTE:** the business is the APPLICANT not the individual. When information is requested about the applicant provide business information. You, as an individual, are considered the owner (or one of the owners) and your personal information will be provided then.
 - i. All of your contact information.
 1. This includes a verified address so pay close attention here to the address the program shows.
 - ii. All of your insurance information.
 - iii. Who will be the lead contact for the application process.
 - iv. Number of employees
 1. This includes FT and PT employees.
 - v. When business was established
 - vi. List of current management
 - vii. Estimation of loss – injury
 - viii. Who owns the business?
 1. All ownership above 20% must be accounted for whether it is an individual or another company.

2. Demographic information on each owner is requested but is not required.
- ix. The following disclosures must be made:
 1. Are other gov loans being paid or delinquent?
 2. Are individual owners paying childcare and are current?
 3. Are any owners (or the business itself) paying back taxes with an installment agreement?
 4. Did the applicant pay to get their application completed?
 - x. There is a question regarding interest in exploring the additional 20% for mitigation measures for your business. If you are interested or required to do any new mitigation measures check this box. Again, you can choose to talk about it with your loan officer and decide to go ahead with additional funding or not.
 - xi. You will be asked to sign certain consents:
 1. To authorize SBA to contact insurance company, contractor and bank. Or to access information from FEMA.
 2. To non-discrimination in use of loan proceeds.
 - xii. Personal Financial Statements for Each owner over 20% will be required (SBA Form 413 can be used if you do not have a CPA/Accountant to do this for you).
 - xiii. Schedule of liabilities for each disaster damaged business and the Entity owner
 - xiv. A completed and signed IRS form 4506-C which releases the IRS to provide the SBA with requested information.
 1. For the Business Entity
 2. For each individual owner over 20%.
 3. The website will generate the form.
 - a. Download it
 - b. Open and check that information on the form is correct - SSN, Address
 - c. Sign it and re-upload
 - d. "Next" will let you know that it has been uploaded
 - xv. Income Tax returns for the business.
 - xvi. Schedule of Liabilities for the business (SBA Form 2202)
- There will be an application Submission Confirmation
 - i. Print it and file it.
 - **The loan officer may want additional information (and this is HIGHLY LIKELY). You will get a message and you should go to your portal and see what the request is.**
 - i. **You will have 7 DAYS to comply with the information request.**
 1. If you do not comply then your application will be withdrawn application from active consideration and you will have to request once you do provide the information that it be re-activated.
 - ii. Types of things that can be requested:
 1. Further financial information including Profit and Loss Statements, Accounts Receivable.
 2. Vendor estimates for repairs or equipment replacement.
 3. Insurance assessments and damage reports.
 4. Insurance offers.

- iii. We highly suggest you check your loan portal frequently for messages and updates.
 1. The Loan portal will also keep you apprised of the status of your application.
- iv. Application hints:
 1. Have all material prepared and ready to upload before you begin.
 2. You should have your phone to take pictures of parts of the application but do note that the SBA does not suggest attempting to do the application process via your phone. A laptop is best.
 3. Do not use the back arrows to go back and forth (they will bring you to the beginning of the process). Instead use “Back to my Application”
 4. Print a hard copy of everything out
 5. Save frequently (at each page is best).
- v. If you are offered the loan and you accept it the first installment will be \$25,000 and subsequent disbursements will be explained by your loan officer.
 1. There will be no payments due in the first 12 months and no interest will be accruing in that time period.
 2. You will be required to provide proof of required/requested collateral.
 3. You will sign very lengthy loan documents that you should print out and READ and REVIEW very carefully.
 4. You WILL BE REQUIRED to carry flood insurance on the full value of the property (not just the amount of the loan).
 - a. We suggest strongly that you find out what your monthly cost of flood insurance will be if you do not carry it currently so you know the total cost of this loan.

STATE:

There are several online websites/pages that you should bookmark that will have important updated resources:

- From the Office of the Governor:
<https://governor.vermont.gov/floodrecovery>
- From the Agency of Commerce and Community Development:
<https://accd.vermont.gov/flood>
 - It is important to sign up for the ACCD Disaster Newsletter as they will also be issuing important updates:
<https://vermont.us3.list-manage.com/subscribe?u=ff50346b45ac607c4e55c01ec&id=73312ef76e>

State Grants

The Business Emergency Gap Assistance Program (BEGAP) is open and accepting applications.

A pre-recorded webinar for this program is here:

<https://accd.vermont.gov/event/webinar-business-emergency-gap-assistance-program>

- Program Overview:
 - i. The Department of Economic Development has created this \$20,000,000 program to assist businesses and non-profits who suffered **PHYSICAL DAMAGE** from the flooding that began on July 7, 2023.
 1. Landlords are eligible applicants, even if they're not a registered business.
 - ii. The applications will be returned for revision if they are incomplete and will take more time to process.
 - iii. Applications will be accepted on a first come first served basis and awards will be made until the funds are depleted.
 - iv. Physical damage for the purposes of this grant are defined as damage to:
 1. Real estate
 2. Leasehold improvements
 3. Inventory
 4. Machinery
 5. Equipment.
- Awards will be made as follows:
 - i. For total physical damages less than \$1,000,000 the LESSER of 20% of net uncovered damages or \$20,000.
 1. Net damages will be less all insurance settlements, grants and donations the business receives for physical damages.
 - ii. Applicants can only submit one application per damaged property with a THREE property maximum.
 - iii. For applicants with damages over \$1,000,000 the enhanced awards are calculated as the lesser of 20% of net uncovered damages or the following based on FTE's (an employee who is a Full Time Equivalent is calculated at 35 hours per week):
 1. \$100,000 for 1-10 FTE's
 2. \$250,000 for 11-50 FTE's
 3. \$500,000 for over 50 FTE's
 4. Applicants submitting applications for more than one property with damages exceeding \$1,000,000 are only eligible for one enhanced award over \$20,000.
- General Requirements:
 - i. Must have been established prior to July 2023 flooding.
 - ii. Must have suffered physical damage to property in Vermont.
 1. This grant is NOT intended to cover the costs of economic injury.
 - iii. Physical damages must be from the July 2023 flooding.
 - iv. Applicants must intend on restoring, reopening and bringing their employees back to work as soon as possible.
 - v. The funds can be used for relocation as long as it is within the state.
 - vi. Ineligible entities are:
 1. Municipalities
 2. Individual homeowners.

- vii. Agricultural Businesses should contact the following before applying:
<https://agriculture.vermont.gov/business-emergency-gap-assistance-program-begap>
- Information required:
 - i. Contact Information
 - ii. Damaged property location
 - iii. Federal Employee Tax Number
 - iv. All Insurance Policies:
 - 1. type of coverage,
 - 2. policy number
 - 3. name of agent
 - v. Dollar amount of damages recouped thru the above insurance policies
 - vi. Other grants or donations received to defray damages
 - vii. Description of impact of flooding
 - viii. Damage type and estimates for repair/replacement
 - ix. An estimate of the economic impact on your business in lost revenue
 - 1. Note this amount will not be used to calculate your award nor can proceeds be used to cover any losses. The amount will be used for data collection.
- Documentation required:
 - i. Most RECENTLY filed tax return or 990.
 - ii. YTD Profit and Loss Statement ONLY if the business started AFTER 1/1/2023
 - iii. Updated IRS Form W-9
 - iv. Declaration or Certification for ALL insurance policies
 - v. Supporting documentation for claimed physical damages. For example:
 - 1. Insurance adjustors report
 - 2. Vendor estimates
 - vi. Repair/replacement estimates for:
 - 1. Physical Structures
 - 2. Equipment
 - 3. Inventory
 - 4. Supply purchases
 - 5. Actual paid expenses
 - vii. Maximum of FIVE photos of damages
 - viii. Proof of property ownership or renting such as:
 - 1. Property tax bill
 - 2. Deed
 - 3. Lease Agreement.
- The APPLICATION PORTAL and Technical Assistance.:
 - i. The application is open at the bottom of the page here:
<https://accd.vermont.gov/economic-development/flood-emergency-funding>
 - ii. You will need to create an account if you have not previously applied for a state grant and instructions are here:
https://outside.vermont.gov/agency/ACCD/ACCD_Web_Docs/Storm_Recovery/BEGAP%20Login%20Screen%20Shots.pdf
 - iii. FAQ's for the program are here:

<https://accd.vermont.gov/economic-development/flood-emergency-funding/begap-faqs>

- iv. If you need assistance from us (VtSBDC) with this application fill out the request here:
- v. <https://www.vtsbdc.org/business-intake-form-begap-flood-2023/>

Vermont Main Street Flood Recovery Grants - The Vermont Main Street Flood Recovery Fund has been created to support Vermont's independently owned small business owners impacted by July 10th's flooding. You are vital to our communities, and we will do all we can to support you through this crisis. This Fund is actively raising money to provide grants up to \$2500 to cover costs such as equipment replacement, operating expenses, supplies, help with clean-up, etc. Businesses receiving grants of \$600 or more will receive a 1099 misc. tax form for the 2023 tax year issued by Capstone Community Action.

- Applications and information is here:
<https://www.vtrecovery2023.com/>

LOCAL

Towns and municipalities are standing up grant programs as they fundraise. You should check with your local Chamber of Commerce or RDC's to get updated information.

Many privately-owned banks are currently offering small loans at attractive interest rates that are easy to access. If you are interested in acquiring any additional debt you can contact your banker and see if they have any specific program related to the flooding.

LEGAL/INSURANCE/UNEMPLOYMENT ASSISTANCE:

- If you require legal assistance regarding any legal issue that has arisen because of the flood you can:
Contact the Vermont 2023 Flood Recovery Group at the Vermont Law School Entrepreneurial Legal Lab by filling out this request for assistance:
<https://airtable.com/shrvA1KOQCblWmc7O>
You can also reach out to the Small Business Advocate at the Vermont Attorney General's Consumer Assistance Division here:
<https://ago.vermont.gov/flood-resources>
Or email: ago.smallbusiness@vermont.gov
- If you are having issues with your insurance claim and feel you would like assistance you can contact the Department of Financial Regulation for the State of Vermont here:
<https://dfr.vermont.gov/insurance>
- The DUA (Disaster Unemployment Assistance) program has also opened because of the Federally Declared Disaster. DUA is a federal program designed to help people who lost their jobs because of the flooding. The program gives temporary

money to those who don't qualify for regular unemployment benefits. This includes owners.

Before you qualify for DUA you must apply for regular unemployment first. Once you do you will be contacted by a member of the Department of Labor to assist you with the DUA requirements.

i. APPLY HERE:

<https://labor.vermont.gov/unemployment-insurance/initial-application>

For more information on DUA:

<https://labor.vermont.gov/dua>

PLEASE NOTE the DEADLINE for DUA application for benefits is 8/21/23.

Business assistance will continue to be provided by and available from VtSBDC (vtsbdc.org) and the Regional Development Corporation (RDC's) in your region. You can access the list of the RDC in your area here: <https://accd.vermont.gov/economic-development/resources/rdc>

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