

BACK TO BUSINESS IOWA PODCAST

A partnership of Iowa State University Extension and Outreach and America's SBDC Iowa

SEASON 1 | EPISODE 1: SBA Programs for Your Business

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Description: *In this episode, host Steve Adams interviews Kimberley Tiefenthaler, regional director in North Central Iowa for the Small Business Development Centers, and Brett Middendorf of America's SBDC Iowa at ISU. They talk about Small Business Administration programs available to support Iowa businesses impacted by COVID-19.*

Transcript:

[music]

Steve Adams, host 00:04

Hello, and welcome to the COVID-19 business development response podcast from Iowa State University Extension and Outreach. This podcast is a collaboration between Iowa State University Extension and Outreach programs, including Community and Economic Development, Farm, Food and Enterprise Development and the Iowa Small Business Development Center. These podcasts cover relevant topics for businesses and individuals related to education, research and technical assistance during and post COVID-19.

Steve Adams, host 00:44

I'm Steve Adams, field specialist three at Iowa State University Extension and Outreach in the Community and Economic Development unit, and I will be your host for these podcasts. Today our guests are Kimberly Tiefenthaler, regional director, North Central Iowa [SBDC] with offices in Carroll and Fort Dodge and Brett Middendorf, who's with the SBDC office in Ames, Iowa. Hey, thank you both for being here today.

Kimberly Tiefenthaler 01:12

Thank you.

Brett Middendorf 01:14

Thank you.

Steve Adams, host 01:16

Kimberly, let's start the conversation off with you. Could you give me a quick overview of the Small Business Development Centers in Iowa?

Kimberly Tiefenthaler 01:24

You bet. The Small Business Development Centers are underneath the umbrella of the Small Business Administration. Having said that, we're very different in the sense that we are the boots on the ground, so to speak, doing one on one consulting with business clients. And that consulting consists of a lot of different things—assisting with business plans, pulling financial projections together, you know, market research, a lot of different things. So we are the training and consulting arm of the Small Business Administration.



Steve Adams, host 02:01

I've gotta guess then that things have been pretty busy for you lately,

Kimberly Tiefenthaler 02:04

That guess is completely correct. [laughter]

Steve Adams, host 02:08

So what region do you serve? We know it's the North Central Region and what services do you personally provide? And maybe you could talk about what counties are in your region.

Kimberly Tiefenthaler 02:18

Right. So North Central Iowa, so that includes 12 counties: Hardin, Wright, Hamilton, Webster, Humboldt, Pocahontas, Sac, Calhoun, Greene, Carroll, Audubon, Guthrie. So 12 counties, which keeps us very busy, but we have expanded our help that we have available, and especially for this COVID-19 period of time. And the services that we really focus on, especially right now, would be cash flow projections, really focusing on this time period.

Kimberly Tiefenthaler 02:54

And depending on the type of the business and the seasonality of the business and things like that, you know, just coming along side business owners and making sure that they're prepared with these next steps of opening back up, or, you know, these next weeks and months and even through the next year, what that might look like and making sure that we have that budget of cash flow projection, so to speak, in place to assist them.

Steve Adams, host 03:21

So you'd say your work has changed significantly, or maybe not so much?

Kimberly Tiefenthaler 03:25

Well, for the time period, our work has changed significantly, in the sense that we're really answering a lot of questions and just giving a lot of guidance and trying just to keep up with the ever-changing information coming down from the federal level. That's a challenge for us and certainly is a challenge for our business owners as well. So just making sure that we have good information in front of us as we can the best we can.

Kimberly Tiefenthaler 03:50

And we really, the information that we go by is not from a lawyer or an organization that might be interpreting that information and then doing their own handout and such. Our information is directly from the SBA on the federal level and the US Treasury. And that's really, in our situation with what we do, that's what we have to go by. So just making sure that we empower people to move forward and take advantage of the programs that are available that makes sense for their particular situation.

Steve Adams, host 04:22

Well, speaking of those programs, there's been two major launches of SBA programs just in the last couple of weeks. One that seems to be fairly popular is the Payment Protection Program. Could you tell us a little bit about that program itself?

Kimberly Tiefenthaler 04:38

You bet. You know, the whole purpose of that program is to either keep employees at work, or get those employees back to work that have been laid off. And that's really the sole focus of that program. It's a good program and I just have a few highlights that I make sure that I cover here. There's no

collateral required for that program, and there's a forgiveness component in that program. So we are really making sure that business owners know that, if you're going to take advantage of this program, that you really are mindful about how those dollars are required to be spent, and making sure that you track that very carefully and have that supporting documentation.

Kimberly Tiefenthaler 05:22

So that when it comes time for the forgiveness component of that the end of June or July, however that looks when we get more information on that, just making sure that that's very well documented for your lender. Those terms on that are a 1% two-year note for those dollars that aren't spent on payroll or utilities or mortgage interest, or a rent payment, if you happen to rent or lease your location. So those extra dollars do go into that 1% to your note. So this is a program where you do go directly to an SBA lender and apply for that. Community banks, I always have to give a big shout-out to, our Iowa community banks, they've done a fantastic job dealing with this program, getting it up and going and just servicing everyone that they can.

Steve Adams, host 06:13

How does someone know if a bank is an SBA-approved lender?

Kimberly Tiefenthaler 06:18

Right, so good question. And you know, right now, I think it's fair to say that we don't even know who all is involved with doing this particular program right now, because the SBA has been able to expand that list of banks that are participating. So originally, you know, we did have the list of who are the participating banks who've done SBA loans and set up on the system, but that has now changed and expanded. So really, just calling the bank that you work with locally and see if they can process, and if they can't, then moving on to another one of your community banks that might be your process that.

Steve Adams, host 06:57

So then the applicant would go directly to the bank, and the bank would submit the application on behalf of that business, is that correct?

Kimberly Tiefenthaler 07:05

Yes, that is correct.

Steve Adams, host 07:06

The other program called the Economic Injury Disaster Loan program or EIDL. How is that money being spent, and again, how do they apply for the EIDL program?

Kimberly Tiefenthaler 07:19

Right. So the EIDL is something that the business owner goes directly to the SBA website. So making sure that you are on SBA.gov. And I just want to emphasize that if that website that you're on does not end in .gov, you're not in the right place. So SBA.gov, and you apply for that directly as a business owner, you do not go to a lender for this particular loan. And really, the application is quite simple. It's been streamlined and it's really very painless to go through, no reason to be intimidated by doing that on your own.

Kimberly Tiefenthaler 07:51

This particular loan is for the purpose of working capital, and it does have a component in that which is an up to \$10,000 advance, which is a grant. That amount of money that you are awarded does not need to be repaid. How that is determined, how much you get on the award of the overall loan total, and also that advance, is determined on the information that you entered into the system. So exactly how that's determined, I'm not sure. We've heard it could be based on number of employees that a business has,

and kind of some of the things that I'm hearing back from people who have actually gotten that, it does seem like it might be that way.

Kimberly Tiefenthaler 08:31

Nonetheless, any dollar amount that you get that you don't have to repay for small businesses is welcome right now. So just emphasizing, that is up to \$10,000 on that grant piece, that advance piece. And then on this EIDL, you can apply for both loans, but you would want to make sure that you're not using the EIDL for payroll expenses, and those utilities. Leave those dollars just for that PPP program while that is in place. So again, just making sure that you keep the two funds separate and that documentation clearly in place for the PPP.

Steve Adams, host 09:07

So two entirely different purposes for those programs. There cannot be any overlap.

Kimberly Tiefenthaler 09:12

Right, not when it comes to the payroll, and you know, the utilities. So the purpose of the PPP can't overlap into the EIDL.

Steve Adams, host 09:19

Excellent. Well, Brett, you're in kind of an unusual situation in that you have applied for both of these loans for a family business. Can you kind of walk me through the PPP as an applicant, since you've got first-hand experience there?

Brett Middendorf 09:34

Sure, absolutely. So we decided to apply for the PPP right away, and we saw kind of what the purpose was. And also, you know, being a forgivable loan, that was very attractive, of course. However, we were in the early days, and as Kimberly said, there wasn't a lot of information sometimes in the guidance. The key issue in when you're applying for the PPP is determining what your average monthly payroll is. And what payroll is defined as under the statute was a little confusing, to be honest. Because it said, you know, it counts salaries, but only up to \$100,000. And it counts benefits. So it counts your health insurance, your retirement, and it says state and local taxes.

Brett Middendorf 10:14

What it was silent on was federal taxes. And that's where we really kind of went through several iterations of what we were going to be submitting to our bank ultimately. It was determined on what we would include in federal taxes. Fortunately, in addition to having this family business, I also have a sister who's a commercial banker, and is doing this for all of her customers. So she was consistently feeding me information as she received it. And what was ultimately decided by the federal government for this program is that federal income tax counts as payroll, state and local income tax count as payroll, FICA counts within your payroll. But what does not count is the employer's federal contribution to payroll taxes.

Brett Middendorf 10:56

So that can be a little confusing to separate from your other data, it depends how you keep your data. We were fortunate that we use ADP for our payroll at our family business, and they actually had a spreadsheet generated immediately for us. Now, the first couple of versions weren't correct, because the guidance kept changing. But finally, we were able to kind of easily separate it out. But that's what I would say was the biggest challenge for our family and gathering all this information, and our accountant, just trying to get everything in the right space, because we didn't want to do it wrong.

Steve Adams, host 11:27

So I hear there are some things that you're encouraging people to do then, before they make that application. And it's maybe getting everything in the right spot, making sure that the square peg is in the square box.

Brett Middendorf 11:38

[laughter] Right. Yeah, absolutely. Absolutely. I mean, average monthly payroll at the time, and I've seen this a couple different ways still, could be your average 2019 costs, but it could also be your costs from April 1, 2019, to March 31, 2020. And maybe Kimberly knows the answer to that, that'd be great. But that was something that also we had to look at and it was like, well, which is the right one?

Steve Adams, host 12:02

Kimberly, any response on that?

Kimberly Tiefenthaler 12:04

Yeah. So honestly, both ways, I think is the right answer. And honestly, the SBA, I think, knew they needed the lender at the local level to really take this over and to go through this and make that determination. So they really, in my opinion, from what I see, I think they empowered the lender to really manage the program. And basically, you can take your information to the lender, you know, like you got a QuickBooks report for payroll or what have you, and your lender will calculate the things that qualify to be included. So if it seems overwhelming, and you don't know how to calculate those things, the lender will assist you with that. They're gonna do their own calculations anyway to make sure that they're correct. So yes, I think both ways are correct and really, the lenders by this time they're pretty good at it, actually.

Steve Adams, host 12:53

Well and not everybody can have inside access to a banker like Brett does of course, so that makes a difference.

Kimberly Tiefenthaler 12:59

Yeah.

Steve Adams, host 13:00

The banks are there to help.

Kimberly Tiefenthaler 13:01

Yes.

Steve Adams, host 13:02

Now, Brett, you also applied for that Economic Injury Disaster Loan program. Anything there that people ought to consider or listeners need to pay attention to perhaps?

Brett Middendorf 13:12

No, I think Kimberly was absolutely right, it was a very simple application. Really, they asked for what our total revenue was for, I think, February 1, 2019, to January 31, 2020. So it was a little off our fiscal year, but we figured it out. And then the cost of expenses for that same time period. So they're just, you know, seeing what the income is of the business. It all made sense for us. It was very simple. What was slightly surprising was that there was no place to put an amount in that you were asking for. And now listening to Kimberly, I understand that there's a formula out there for helping them determine.

Brett Middendorf 13:44

This was attractive to us too, because it was a 30-year loan, 3.75%. And that's really, you know, unusual for commercial loans to be that term. So that was really appealing to us as a business, to make sure we had the working capital as Kimberly mentioned, and we haven't heard back. Another thing that was a little strange about it to me was that we didn't get a confirmation that they had received our application. There was no email notification, there was nothing that we received. So we ended up calling them and just asking them if they got it. They said they did. They said it would be several weeks until we heard back.

Brett Middendorf 14:17

But I also think, you know, that might be because of the industry we're in. Our businesses, a small independent insurance agency. So we're not having the impact that maybe a restaurant is having. And I think those types of businesses are being served first, rightly so. And I was surprised to hear Kimberly said people are hearing back, so I was wondering, you know, maybe what type of businesses those were, that were hearing back right away.

Kimberly Tiefenthaler 14:38

Well I don't think anybody's heard back right away.

Brett Middendorf 14:40

Okay. [laughter]

Kimberly Tiefenthaler 14:41

But there are some businesses that are starting to hear, and also I will tell you that I had a client yesterday who sat on the phone for an hour and a half waiting for that live person. They just wanted to make sure that they got through, and they did finally, and they were told that by their number that they were gonna be receiving more information soon. But I think it has really varied. Some people have gotten emails, a lot of people haven't. And there's a lot we just don't know. And it's really, we're gonna have to have patience, and they're dealing with an overwhelming number of applicants

Brett Middendorf 15:15

Sure.

Steve Adams, host 15:15

The first stories that we have heard in talking to some of my small business clients, some heard right away, others Brett, just like he said, expressed their frustration in not being able to track where they were in the process and whether the applications have been accepted. It's not surprising that there was some glitches and some long wait times, considering how popular these programs have been. So I think people just have to be aware of that and show that kind of patience, Kimberly, that you talked about. Kimberly, if if you wanted to give the listeners an idea of how to contact an SBDC office, how would they initiate that conversation with you or any SBDC office in the state of Iowa?

Kimberly Tiefenthaler 16:00

Right, well, for my office in particular, it would be 515-576-6242. And we're checking our messages four times a day at least. And then for the Iowa SBDC, depending on where you're located, IowaSBDC.org will bring you to our website and there will be a dropdown that you will be able to locate your regional director for your county. So the whole state's covered, there's 15 directors across the state, they have plenty of people in place to give assistance.

Steve Adams, host 16:35

I just so happened to have the COVID-19 Resources website up from IowaSBDC. Some excellent stuff up there. I would think if people wanted additional information, that would also be a good place for them to start.

Kimberly Tiefenthaler 16:49

Certainly, yes

Steve Adams, host 16:50

Okay. All right, Brett, any final thoughts from you?

Brett Middendorf 16:54

Yeah, I just I wanted to go back to the PPP program for a second and just share that, as Kimberly had mentioned, you know, it goes through local banks, you know, SBA-approved banks. And each bank can have their own requirements as to, in terms of documentation that they would like to see from each of the applicants. So I'm just going to share what we were asked to submit, just to give your listeners an idea of what they may be asked for.

Brett Middendorf 17:15

We were asked to submit both our 2018 and 2019 balance sheets for the year. We were also asked to submit our 2018 and 2019 P and Ls for the year. We had to we have our tax returns, both personal for the majority shareholder and the business for the past two years. And then a personal financial statement from the majority shareholder. So this is what our bank required of us, even though they know us fairly well, too. But I'm sure the requirements sort of vary, depending on what the bank is looking for specifically.

Steve Adams, host 17:44

Would you find that to be true as well, Kimberly?

Kimberly Tiefenthaler 17:46

Definitely, that's absolutely true. Individual banks have their own intake sheets, so to speak, intake systems on this, and it just depends on the institution and kind of their comfort level in dealing with this and what they have put forth as their own intake. Personally, my husband, I own a business and our bank wanted our summary sheet for our payroll and our health insurance and our simple stuff. And that was about it. So, you know, totally different experience that way.

Kimberly Tiefenthaler 18:17

But again, it really is up to the lender and what they would like to require and their comfort level with intake and supporting this program. So the main thing is, they're doing it and I know lenders have put in a lot of hours after five o'clock and on the weekends, just trying to get all the applications put in. The one thing I do want to make a note of is that we've heard a lot from single members, sole proprietors, single member LLCs, who don't have payroll, and they take an owner's draw, and that is not supported by this program. So if you're one of those business owners, that is something that has been a bit of a frustration with this program. For anyone on a K-1, that might receive a K-1 or takes an owner's draw, it's just, this program is not set up for that purpose.

Steve Adams, host 19:04

Okay, understood. Kimberly, so you get the last word here. Do you have any final comments that you'd like to make?

Kimberly Tiefenthaler 19:10

You know, there's a lot of things out there. There's other things that are available, you know, like the pandemic unemployment assistance through Iowa Workforce Development. There's gonna be programs are coming out. I just got off of a webinar with Senator Ernst, one of her staff representatives, and, you know, they are going to be rolling out what they're now calling 3.5 as far as the rollouts are concerned, with an additional \$250 billion to support the EIDL and the PPP funding that is yet needed.

Kimberly Tiefenthaler 19:42

So we're waiting for that to be approved and to come out. And there's other programs that are coming from the United States Treasury, one's called the Main Street lending program. We're waiting to hear more about that and the details. Not to be confused with your Main Street programs that we're used to, but this is something that's going to be, again, lower interest loans and will be attractive. So again, don't give up keep circling back and asking for information, because it's coming.

Steve Adams, host 20:09

Well obviously this is all a moving target. And I think as we've all started to realize, things are changing daily, if not hourly. As you put it, Kimberly, let's circle back, keep looking, keep trying to research all the resources that may or may not be available to you. Hey, I want to thank you both for taking the time to visit with us, and we certainly all appreciate the work you're doing to assist businesses during this very difficult time.

Steve Adams, host 20:36

I just like to add, if you have any questions about this podcast, please feel free to contact me directly, Steve Adams, and I can be reached at stadams@iastate.edu. Once again, thank you for listening. This podcast is a collaboration between Iowa State Extension and Outreach and the Small Business Development Centers of Iowa, always serving Iowans, hashtag strong Iowa. Our justice statement: This institution is an equal opportunity provider. For the full non-discrimination statement or accommodation inquiries, please go to www.extension.iastate.edu/diversity/ext.

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