

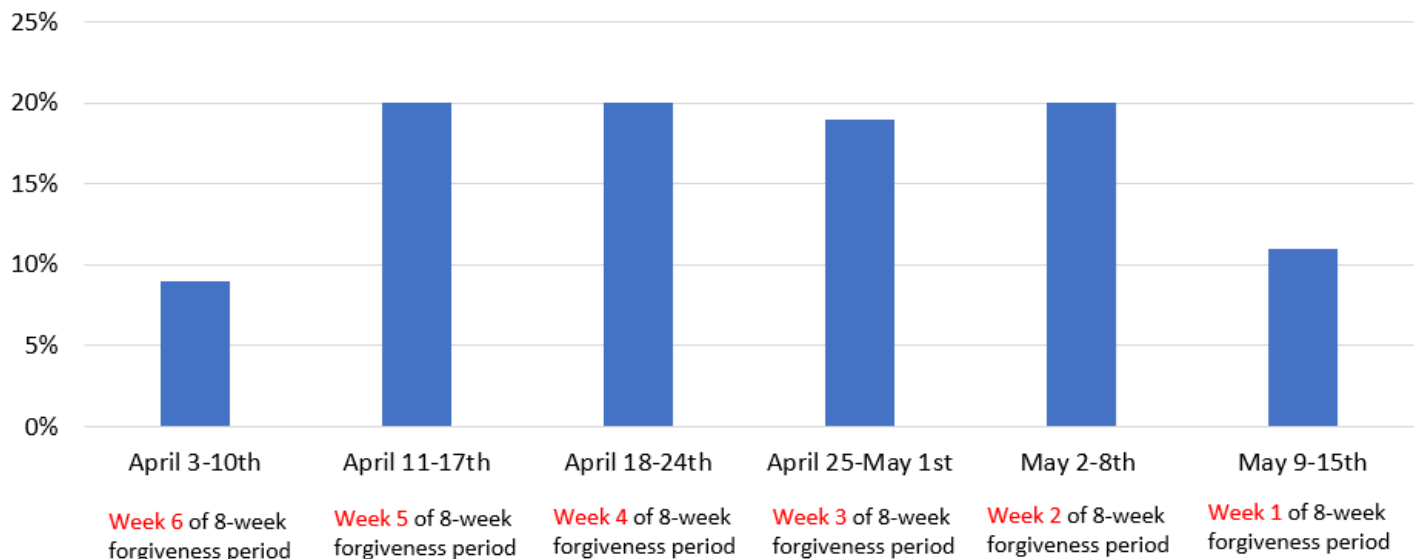
Covid-19 Small Business Survey

NFIB Research Center

The economic crisis has dramatically altered consumer spending and business operations due to still wide-spread stay-at-home orders and business restrictions. Almost all small businesses have been negatively impacted by the crisis. One-quarter of small business owners report that business operations are severely negatively impacted by the crisis. Thirty-three percent of small business owners report the crisis has significantly impacted their business and another 34% report a somewhat negative impact on business operation. Just 6% have not been impacted and 3% have been positively impacted, likely due to higher demand of their goods or services with shifting consumer and business needs.

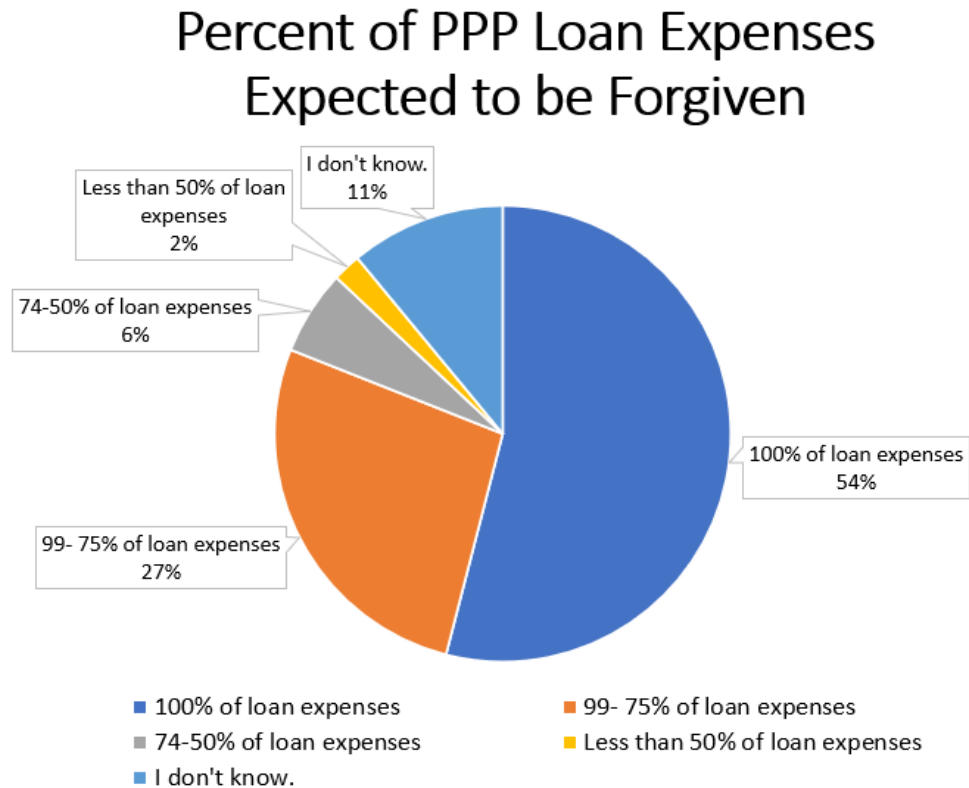
The popularity of the Paycheck Protection Program is evident as 80% of small business owners (NFIB members) applied for a loan. Of those who submitted an application, almost all (90%) have received the loan. Most of the loans were deposited between mid-April and mid-May. Initially, very few owners received their loan in the first week the program opened. Loan deposits have tapered off in the most recent week as those who report wanting a loan also report receiving one.

When Borrowers Received PPP Loan



The main reason for the PPP loan's popularity is the ability of borrowers to have the loan forgiven assuming all terms and conditions are met. One condition of loan forgiveness is spending the loan in the 8-week forgiveness period that begins as soon as it is deposited. Most small business owners started spending the loan immediately upon receipt the loan to take advantage of the forgiveness window. Only 10% report they have yet to spend the funds. Most

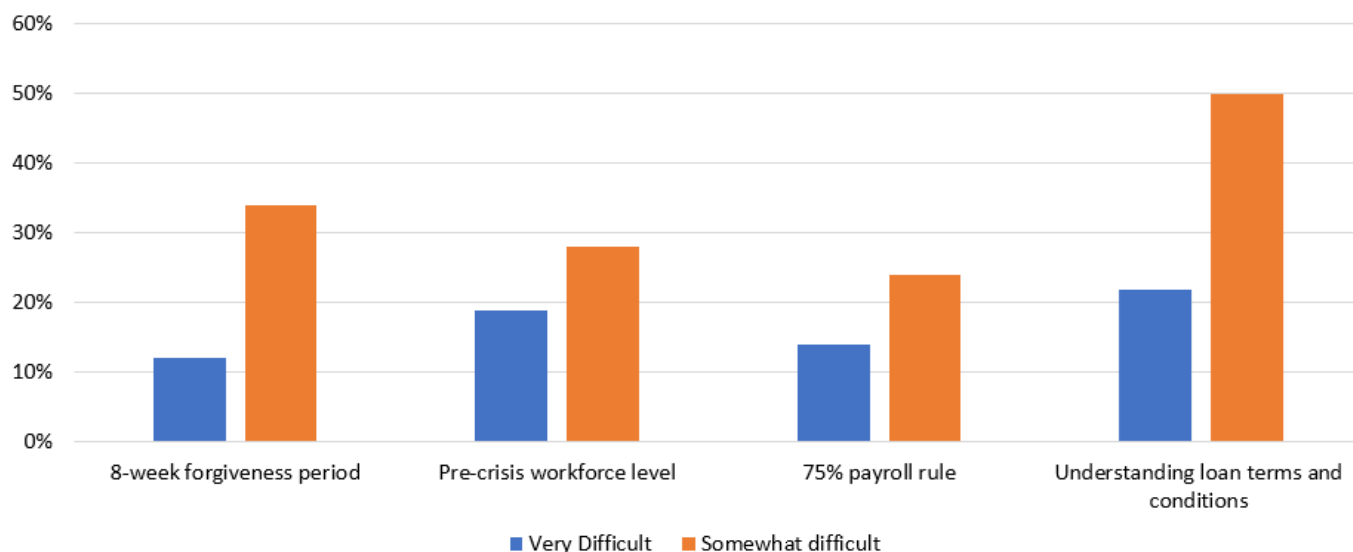
borrowers expect to take full advantage of loan forgiveness with over half (54%) of small business owners with a PPP loan expecting all their expenses to be forgiven. Another 27% of borrowers expect at least 75% or more of loan expenses to be forgiven. Very few PPP borrowers are interested in using the funds as a low interest, two-year loan.



The maximum amount a borrower can take from a PPP loan is 2.5 times their average monthly payroll. About half of small business borrowers plan to use their entire loan in the 8-week period. Another 22% of PPP loan borrowers plan to return the unused funds to the bank. The remaining 27% of borrowers plan to keep the remaining funds as a 1% interest loan.

The PPP loan and loan forgiveness are tied to several terms and conditions. Many borrowers find these requirements challenging in either complying with the loan terms or qualifying for maximum loan forgiveness. Twelve percent of borrowers report that spending the PPP loan within an 8-week forgiveness period is very difficult. Another 34% find the requirement somewhat difficult. The 8-week period is the only window of opportunity borrowers can spend the loan funds and have those expenses be forgiven. Almost one-in-five borrowers find the forgiveness requirement that the borrower's employee headcount match the pre-crisis employee headcount very difficult to reach since many businesses have already laid off workers due to slower sales or suspended business activity. Another 28% find it somewhat difficult to maintain or return to their pre-crisis workforce level.

Complying with PPP Loan Terms and Conditions



The economic crisis has taken a toll on most small business owners resulting in reduced business operation and reduced staff. The PPP loan was designed in part to help preserve as many jobs as possible. The PPP loan requires borrowers to spend at least 75% of loan expenses on payroll costs. Up to 25% of loan expenses can cover other costs. The 75% payroll rule is difficult for 38% of small business borrowers to manage as 14% find it very difficult and 24% find it somewhat difficult. Many small business owners are struggling to cover a wide range of expenses to keep their doors open, exceeding the amount they need to dedicate to payroll.

The SBA has yet to publish guidance on PPP loan forgiveness, frustrating many small business owners who are in their 8-week forgiveness window. Owners have questions about how to spend the funds and what they can spend the loan on as many of the terms and conditions are broad and unclear when applied to specific business operations. Nearly three-fourths of small business borrowers find the terms and conditions of the PPP loan difficult to understand with 22% finding them very difficult.

The PPP loan program was designed to financially support small business owners and to keep employees attached to their job. Nearly three-fourths of small business borrowers have rehired workers or maintained workforce levels specifically to maximize PPP loan forgiveness.

The EIDL loan process is starting to provide financial relief to more small business owners as about 65% of applicants have received the EIDL grant and 21% have received the EIDL loan, up from 48% and 10% respectively from May 1.

The PPP loan and EIDL programs have, and continue to, provide much needed financial support to the small business sector. However, many small business owners anticipate that they will need additional financial help over the next 12 months. Almost one-quarter of those who have

taken out one or both loans anticipate that they will need additional support and another 54% do not know yet. Only 20% of borrowers do not anticipate needing additional support.

The small business sector has been hit hard by the economic crisis with 43% of respondents reporting that their sales volume is less than 50% of what it was pre-crisis. Another 28% report that their sales volume is down to 50-75% of pre-crisis levels. Sales volumes are more stable for just over one-quarter of small business owners with 24% at or near pre-crisis levels (75-100% of pre-crisis levels) and another 4% have seen their sales volume increase over the last few months.

The CARES Act provides additional financial assistance to the more than 36 million people who have filed jobless claims through supplemental unemployment insurance benefit of \$600 per week through July 31. While this benefit helps support those who have no immediate job prospects, it has presented a significant challenge to some small business owners trying to fill open positions. As states ease stay-at-home orders and business restrictions, small businesses are looking to rehire workers. Some small business owners find themselves competing with the UI program. Also, expanded UI benefits are making it difficult for some small business owners to fulfill PPP maximum loan forgiveness, which requires businesses to use at least 75% of loan expenses on payroll and attain a pre-crisis employee headcount. Eighteen percent of small business owners have had an employee decline a job offer because they wanted to stay on UI. Another 6% of small business owners have increased salaries to encourage a worker to come back to their job. Five percent of small business owners said that an employee has remained in their job because they also received supplemental UI benefits with reduced hours. Three percent of small business owners have personally benefited from the supplemental UI benefit. As states ease restrictions, more small business owners will compete with the supplemental UI program to rehire workers, especially if the supplemental UI benefits are extended past the current July 31 expiration date.

Small business owners continue to face many challenges in operating their business in these difficult times. The PPP and EIDL programs are offering much needed financial support but it is clear that depending on long term economic conditions, additional financial assistance might be necessary for many. Congress and the Administration though can help alleviate many of their immediate concerns especially in offering more flexibility in using the PPP loan to best meet the financial needs. Economic conditions are still not supportive enough to meet the terms and conditions of the PPP loan forgiveness in most of the country. And with competing programs to support workers, the expanded UI program and the PPP's pre-crisis headcount rule, many owners will not be able to use the loan that best meets their immediate needs.

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 18, 2020. NFIB collected 685 usable responses.

Questionnaire

05-18-2020

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

80% 1. Yes

20% 2. No

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

90% 1. Yes

10% 2. No

3. Approximately when did you receive the loan?

9% 1. April 3-10th

20% 2. April 11-17th

20% 3. April 18-24th

19% 4. April 25-May 1st

21% 5. May 2-8th

11% 6. May 9-15th

4. If your loan has been deposited, have you started using the funds?

90% 1. Yes

10% 2. No

5. If you have not yet received your loan, have you received confirmation that your loan has been approved?

29% 1. Yes

71% 2. No

6. How much of the total loan amount are you expecting to be forgiven after the 8-week forgiveness period?

54% 1. 100% of the loan

27% 2. 75-99% of the loan

6% 3. 50-74% of the loan

2% 4. Less than 50% of the loan

11% 5. I don't know.

7. After the 8-week forgiveness period, do you intend to return unused PPP funds back to the bank or use the rest of the funds as a loan?

51% 1. Do not anticipate having any funds left after the 8-weeks

22% 2. Return unused funds to the bank

27% 3. Keep the funds and use as a loan

Do you find any of the following difficult in complying with the terms and conditions of the PPP loan forgiveness?

8a. Spending the money within the 8-week period

12% 1. Very difficult

34% 2. Somewhat difficult

55% 3. Not at all difficult

8b. Getting your employee headcount back to pre-crisis level

19% 1. Very difficult

28% 2. Somewhat difficult

53% 3. Not at all difficult

8c. Spending at least 75% of total expenses on payroll costs

14% 1. Very difficult

24% 2. Somewhat difficult

63% 3. Not at all difficult

8d. Understanding the terms and conditions of the program

22% 1. Very difficult

50% 2. Somewhat difficult

28% 3. Not at all difficult

9. Have you rehired workers or maintained workforce levels specifically to maximize PPP loan forgiveness?

73% 1. Yes

27% 2. No

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

36% 1. Yes

64% 2. No

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

76% 1. Yes

9% 2. No

16% 3. I don't know.

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

65% 1. Yes

35% 2. No

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

21% 1. Yes

79% 2. No

14. If you've taken out a PPP and/or EIDL loan, do you anticipate needing additional financial support over the next 12 months?

- 26% 1. Yes
- 20% 2. No
- 54% 3. I don't know.

15. How does your current sales volume compare to pre-crisis levels?

- 4% 1. More than 100% of pre-crisis level
- 24% 2. 100-76% of pre-crisis level
- 28% 3. 75-51% of pre-crisis level
- 23% 4. 50-26% of pre-crisis level
- 16% 5. 25-1% of pre-crisis level
- 5% 6. My business is currently closed

16. Has your business been directly impacted by the \$600 supplemental UI payments?

- 66% 1. No direct impact
- 18% 2. Yes, employee has declined a job offer at my business because they want to stay on UI for the \$600 payments.
- 5% 3. Yes, employee has stayed in a job with reduced hours because they also receive the \$600 payments.
- 6% 4. Yes, I had to offer a higher salary to encourage a worker to come back to their job.
- 3% 5. Yes, I have personally benefited from the additional \$600 UI payments.
- 6. Other _____

17. Is your business considered a non-essential or essential business as it relates to your state's Covid-19 order?

- 73% 1. Essential
- 20% 2. Non-essential
- 7% 3. I don't know.

18. How has the economic crisis directly impacted your business?

- 6% 1. No impact
- 25% 2. Severe negative impact
- 33% 3. Significant negative impact
- 34% 4. Somewhat negative impact
- 3% 5. Positive impact

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

- 16% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
- 11% 2. Manufacturing and mining (dairy processor, printer, publisher, etc.)
- 4% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
- 4% 4. Wholesale (grain elevator, equipment distributor, manufacturer's rep., etc.)
- 22% 5. Retail (restaurant, bar, drug store, apparel, etc.)
- 8% 6. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)

- 6% 7. Financial, insurance, real estate
- 20% 8. Services (auto repair, house cleaning, salon, etc.)
- 7% 9. Professional services (attorney, physician, skilled nursing, etc.)
- 1% 10. Other (please describe) _____

20. Number of Employees

- 9% 1. No employees
- 12% 2. 1-2 employees
- 21% 3. 3-5 employees
- 18% 4. 6-9 employees
- 20% 5. 10-19 employees
- 14% 6. 20-49 employees
- 5% 7. 50-199 employees
- 1% 8. 200 or more employees