Options If Your Small Business Can’t Pay Its Bills Due to Coronavirus

Coronavirus is having a significant impact on many small businesses already, and no one knows how long or how hard the economy will be affected. I will devote this column to options for CEOs to consider if you are having trouble paying your bills due to a slowdown in revenues or higher than usual expenses related to COVID-19. I thank Nav, who offers business owners transparent, start-to-finish services to help get them the best financing possible, who has partnered with SCORE for the content on this topic.

Keep in mind there isn’t a playbook for this situation. We simply don’t know how long this crisis will last and options are changing rapidly.

1. Look into short-term financing.

For some businesses, a loan may help them get through the immediate cash crunch until other forms of small business aid come through. For others, it may help them continue operations while they restructure (a restaurant switching to take-out and delivery, for example, or a brewery switching to making hand sanitizer).

Find out whether your business is able to access any of the following forms of financing:

- SBA loans including the SBA Economic Injury Disaster Loan Assistance program
- Low-rate credit card offers, including balance transfers
- Lines of credit or term loans

Financing is generally best leveraged when you have a clear plan for how it will help you make money. But these are unusual times and some businesses will find it helps to use financing to keep operations going during a crisis.

2. Crowdfund.

If your business has loyal customers, consider asking them for help. Let’s say, for example, you have a popular restaurant in an area where people are not traveling or
going out to eat. Your fans may support you by buying a coupon for a meal in the future or even donating a meal to someone in need. You won’t know if you don’t ask.

Here are a few crowdfunding platforms to check out:

- Kiva is offering 0% loans up to $15,000 with a grace period of up to six months.
- Mainvest is offering a $2000 0% loan for some brick-and-mortar businesses who will use the site to raise capital.
- GoFundMe offers guidance for small businesses looking to use its platform to crowdfund during coronavirus

3. Add Delivery and/or Online Options

Sites like Shopify, Squarespace or GoDaddy make creating a website and taking orders online easy. Many business owners can get their website online by the end of the day. (Bonus points if you get your kids who are at home with school closures to help you.)

1. Update your online presence to let people know that you’re still open to the public
2. Create/update your Google My Business listing with updated hours and make a post that says, “We’re still open!”
3. Update your social media accounts like Facebook and Instagram to let people know that you’re open for business.

For restaurants who want to focus on delivery and take out:

1. Get on UberEats, Grubhub, or DoorDash.
2. Add a drive-through option, even if it is just cones in a parking lot with you taking orders outside.

4. Negotiate with your clients, suppliers and vendors.

Your suppliers and vendors are well aware of what is going on and may be able to work with you to negotiate lower payments or longer payment terms for a period of time. It helps to have good business credit, but in times like these, lenders will often make exceptions. They will want to keep your business in the long run, and maybe flexible about deferring or accepting reduced payments.
If you have clients who are not experiencing a significant disruption to their business, don’t be afraid to ask them for more work or ask them if they can pay you sooner. (You might offer a discount if they pay faster, for example.) Another option is to consider invoice factoring or financing to get paid faster.

5. Make lower credit card payments.

While it’s good financial advice to pay credit cards off in full to avoid interest, there are times when making minimum payments can help your business get through a time of tight cash flow, and this may be one of them. If you go this route, make sure you understand the interest rate you’ll be charged, and be very careful to use those credit cards only for essential business expenses. Also, understand that high balances on credit cards that report to the owner’s personal credit may lower your credit scores.

It’s also important to note that if you don’t make your minimum payment on your credit card, you will be charged a late fee and interest. And if you have a business credit card, your interest rate may immediately go up to the default rate on your outstanding balance. (On a consumer credit card, you generally must be more than 60 days late before your rate can increase.) If you can’t make your minimum payments, check out the advice below.

A number of credit card issuers have announced that they will work with cardholders who are having trouble making their payments, usually on a case-by-case basis. Don’t be afraid to reach out. Keep notes of any conversations you have with them and be sure you understand the impact of any payment arrangements on your credit scores.

6. Talk to your lenders.

Your lenders don’t want your business to default on payments. If your business can’t pay its bills due to coronavirus, they may be able to work with you to restructure your debt temporarily. If you’re facing the prospect of not being able to make payments, reach out to them sooner rather than later.

If you have certain SBA loans, the following relief may be available:

- **SBA 7(a) loans**: lenders may defer payments for 90 days or up to six months (depending on whether the loan has been sold on the secondary market).

- **SBA 504 loans**: lenders may defer up to six cumulative monthly payments or 20% of the original loan amount, whichever is less.
• **SBA Microloans:** microloan intermediaries may make deferments for up to six months but deferment may not cause the life of the microloan to extend beyond the maximum six-year maturity.

• **SBA Disaster loans:** for those currently repaying a disaster loan (from a previous disaster), the SBA is automatically deferring payments through the end of 2020.

Some lenders are proactively working with small business borrowers to help them through this time. For example:

• Bank of America has announced small business customers can request deferments on small business loan payments. Deferred payments will be added to the end of the loan and would not in and of themselves result in negative credit reporting.

• Funding Circle has implemented a range of proactive measures to help existing borrowers impacted by COVID-19. These measures include providing impacted borrowers with forbearance and other repayment flexibility, electing not to report borrowers as “late on payment” to the credit bureaus and waiving late fees for borrowers in forbearance due to the COVID-19 pandemic.

7. **Call your landlord.**

If you are having trouble paying rent for your business location, don’t ignore your landlord. Explain what’s going on and ask to make smaller payments. Some will be able to be more flexible than others, but it’s unlikely they will be able to easily rent that space, so there’s a good chance they will work with you to avoid having it sit empty.

8. **Refinance your commercial space.**

If you own commercial property with equity, consider refinancing it. Rates are very low right now and some business owners are reporting success refinancing to lower their payments, or even to get cash out of the property to provide a cushion.

9. **Consult a credit counseling agency.**

Non-profit credit counseling agencies, such as those who are members of the National Foundation for Credit Counseling, can help you evaluate your situation and options for paying back your debt. You may be able eligible for reduced payments on some of your credit cards (personal credit cards only.) Visit NFCC.org or call 1-800-388-2227 for a free consultation.
10. Consider debt settlement.

When you fall behind on payments, your debts are often sent to collections. At that point, you may be able to negotiate lower pay-offs to resolve the debt. This option is not without drawbacks—including late fees and interest, or even potential lawsuits from creditors—but it does work for some individuals and small business owners who can’t pay their full debts but for whom bankruptcy is not a good option.

11. Talk to a bankruptcy attorney.

Consulting with a bankruptcy attorney doesn’t mean you have to file, and it may provide you with answers to important questions keeping you up at night.

Some small business owners will find it necessary to file for bankruptcy either to restructure debt or to wind down a business with bills that can’t be paid back. Some types of bankruptcy (Chapter 11 or Chapter 13) may allow the business to continue to operate while making smaller payments. Chapter 7 can help a business close and avoid protracted legal battles over unpaid debts.

There are no easy answers at this time. It’s stressful and scary. But if your business can’t pay its bills due to coronavirus, explore your options sooner rather than later. If you wait too long to get advice, you may make expensive mistakes that could have been avoided.

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