



## **Coronavirus Aid, Relief, and Economic Security (CARES) Act**

### **Payment Protection Program and Loan Forgiveness**

- The Payment Protection Program provides \$350 billion for 100 percent federally-guaranteed loans for 8 weeks of assistance to small businesses and 501(c)(3) nonprofits. Sole-proprietors, independent contractors, and other self-employed individuals are also eligible for these loans.
  - Loans can be forgiven when used for payroll costs, interest on mortgage obligations, rent, and utilities.
  - SBA-certified lenders and non-SBA lenders would be authorized to make Payment Protection loans. All lenders participating in the Payment Protection Program, including banks, credit unions, and other financial institutions will be moved to delegated authority which allows lenders to process loans quickly without SBA approval.
  - The Secretary of the Treasury would have authority to work with the SBA to expedite the approval process and bring new lenders into the program.
- Maximum loan amount for SBA Express loans, which require less documentation and less paperwork, is increased from \$350,000 to \$1 million through December 31, 2020.
- Automatic deferral payments for six months where the SBA pays principal, interest, and fees on all SBA loan products.

### **Entrepreneurial Development Programs**

- Provides grants and funding to offer training, counseling, and assistance to small businesses affected by COVID-19.
  - \$240 million in grants to SBA resource partners, including Small Business Development Centers and Women's Business Centers.
  - \$25 million in grants for resource partner associations to provide online information and training.
  - \$10 million in funding for the Department of Commerce Minority Business Development Agency's Minority Business Centers.
- Allows for federal grant funds appropriated to the State Trade Expansion Program (STEP) in FY 2018 and FY 2019 to remain available for use through FY 2021.
  - Allows for state STEP participants to be reimbursed for events cancelled due to COVID-19, so long as the reimbursement amount does not exceed their federal grant amount.

### **Emergency Economic Injury Disaster Loan (EIDL) Grants**

- Expedites access to capital for small businesses who have applied for an SBA EIDL. Businesses could request an advance of up to \$10,000 on the loan to provide covered leave, maintain payroll, and pay debt obligations.



## Coronavirus Aid, Relief, and Economic Security (CARES) Act Small Business Frequently Asked Questions

Q1. Will 501(c)(6) organizations receive assistance under the Senate Proposal?

**A1. No, the Senate expands eligibility to 501(c)(3) nonprofits only.**

Q2. Can a borrower double dip between an Economic Injury Disaster Loan (EIDL) and a new Paycheck Protection loan under the Senate proposal?

**A2. Businesses will be able to receive an EIDL and a Paycheck Protection loan as long as they go for different things. For example, a business can receive an EIDL for working capital and a Paycheck Protection loan for payroll assistance. Additional flexibility is granted through no prepayment penalties on EIDLs and no prepayments penalties on Payment Protection loans. Additionally, a refinancing option has been included.**

Q3. Under the Senate proposal, the maximum loan amount intended for payroll and operating costs for small businesses is the monthly payroll times 2.5 with a maximum cap of \$10 million. 2.5 times the average monthly payroll is not nearly enough money for small businesses.

**A3. The Senate is keeping the calculation at 2.5 times monthly payroll, earmarked to payrolls, etc. over 8 weeks, because that is what the \$350 billion will cover.**

Q4. In the Paycheck Protection Program, are non-profits eligible, are churches eligible, are chambers of Commerce and physician practices eligible?



**A4. Non-profits and churches designated as 501(c)(3) may participate in the Paycheck Protection Program. Physician practices are eligible, regardless of how they are structured (i.e. as an S-Corp, C-Corp, or sole proprietorship). Unfortunately, most trade associations (therefore most Chambers) are organized at 501(c)(6)s. They are not eligible to participate under the Senate bill.**

Q5. In the Paycheck Protection Program, can small businesses hire back employees they already fired and still have the loans forgiven? What is the hire back date?

**A5. Yes. There is flexibility in the program to allow businesses to rehire folks they have laid off and still qualify. They simply need to be in business before February 15<sup>th</sup> and show the lender they have had employees on the payroll.**

Q6. What are the exact steps for small businesses to access the capital? Where can I find the information? Is there a video or other form of assistance?

**A7. The best place to go is your lender. The SBA and Treasury will be producing documents and instructional materials, but that takes time and your lenders would be the fastest way to get information.**

Q8. How quickly will business be able to access loans?

**A8. We are working with the SBA on capacity issues, including onboarding new lenders. The SBA is assuring us they will have things in place and that they are ready to stand up all of the requirements within the Senate bill as quickly as possible. We will continue to press them to move expediently. The SBA is also moving at a faster rate, with the help of the resources Congress has provided them.**



## Paycheck Protection Program and Loan Forgiveness

### Paycheck Protection Loans

The Senate proposal creates a new loan product within the Small Business Administration's 7(a) Loan Program. Both existing SBA lenders and new lenders brought into the program with the assistance of the Department of the Treasury will be able to offer these loans to eligible small businesses.

The new loan will be 100 percent guaranteed by the SBA and have an interest rate of 4 percent. The new loan will be able to cover payroll costs including costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; employee salaries, commissions, or similar compensations; payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation); rent (including rent under a lease agreement); utilities; and, interest on any other debt obligations that were incurred before Feb. 15, 2020.

Businesses and 501(c)(3)s with less than 500 employees will be eligible for this new loan. Additionally, sole proprietors, independent contractors, and self-employed individuals will also be eligible. Moreover, small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs less than 500 workers. This means that each store location could be eligible. Lastly, if your franchisor appears in the SBA's National Franchise Directory, assistance will extend down to the franchisee at the store or location level.

The maximum loan amount will be the lesser of \$10 million dollars or 2.5 times the average monthly payroll based on the prior year's payroll.

To increase speed and turnaround time within this new loan product, all lenders will have delegated authority. Delegated authority allows the lender to process, close, and service a loan without SBA review.

All borrower and lenders fees for Paycheck Protection loans will be waived. Additionally, the Credit Elsewhere Test, collateral requirements, and all requirements for personal guarantees under Paycheck Protection loans will be waived.

Built into the new Paycheck Protection loans will be automatic deferrals of principal, interest, and fees for six months.



A small business can obtain a new Paycheck Protection loan and an SBA Economic Injury Disaster Loan (EIDL) so long as they cover different items. Flexibility is granted through no prepayment penalties on either the Paycheck Protection loan or the EIDLs and a refinancing option has been included.

### **Loan Forgiveness**

The Senate proposal also establishes a loan forgiveness tool that allows businesses that maintain payroll continuity from February 15, 2020 through June 30, 2020 as defined by headcount, to request forgiveness on a Paycheck Protection loan used on payroll costs; mortgage interest; rent; and utility pay over an 8 week period.

The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation.

The loan forgiveness program provides flexibility for businesses that re-hire workers that were previously laid off.

To receive loan forgiveness, a business will have to work with a lender to justify their payroll was maintained through documentation.

Lenders will be held harmless on decisions of eligibility and SBA will purchase the loan after the lender grants approval.

\$350 billion dollars will be provided for the Paycheck Protection Program and Loan Forgiveness.