



**Defending Agriculture**

By Gary Baise



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## CARES act offers quick loans to keep farms afloat

*Who qualifies and why you should apply now.*

Gary Baise | Apr 07, 2020

Last week I began to review the Coronavirus Aid, Relief, and Economic Security Act (CARES). Title 1 covers the Paycheck Protection Program (PPP).

This program is already working as evidenced by what Family Farms Group, Brighton, IL is doing. Family Farms and its members were among the first to avail themselves to the borrower application form published by the Small Business Administration (SBA) on Friday morning, April 3. Two farming operations received money on Saturday!

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The application, which can be downloaded from the SBA site , is simple and if you as a farmer have not applied, get the form TODAY! The PPP is authorized by Section 1102 of the CARES Act. The loan, which will be given to you if you qualify, covers the period of February 15, 2020-June 30, 2020.

The SBA form does not explain all the payroll costs which are covered. They are salary, wage, commission, similar compensation, payment of cash tip, payment for vacation, for rental, family, medical, and sick leave.

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In addition the SBA form does not tell you that payroll costs mean payment of dismissal or separation costs, payment of group health care benefits, including insurance premiums, payment of any retirement benefits and payment of state or local tax on the compensation of the employees.

It appears SBA does not want to explain all the payroll costs you are entitled to. There is a \$100,000 limitation.

### **Farm businesses that qualify**

Applicants eligible for the PPP are listed on the SBA form. Farmers entitled include sole proprietor, partnerships, C-Corp, S-Corp, LLC, independent contractors and eligible self-employed individuals. These PPP loans provided by local banks will be guaranteed covered loans to the bank.

The statutory provisions of the CARES Act does require the applicant to swear to a number of requirements. Most all farmers will be able to swear to these requirements.

In addition, eligible farmers seeking loans under the CARES Act will be required to submit documentation, which should be easy enough to do.

What makes this fantastic for all in production agriculture is a section that states “For purposes of making covered loans for the purposes described in clause (i) a lender approved to make loans under this subsection shall be deemed to have been delegated authority by the Administrator to make and approve covered loans...” So, virtually all banks have been given this authority as I understand it.

Additional lenders determined by the SBA Administrator and the Secretary of the Treasury will be able to process, close and disburse these loans. This should include the Farm Credit Administration but that will be for another column.

### **No personal guarantees or collateral**

There will be no personal guarantees required for the personal loans and no collateral according to the CARES Act. There are a number of provisions in the CARES Act dealing with how much the lending agency will receive for each loan, but that is of no interest to most farmers.

There is even Section 1103 dealing with entrepreneurs. A small business concern can receive a loan if there is supply chain disruptions, delays in shipments, and even if there is a shortage and supply for quality control reasons. A loan can be made for staffing challenges and “...a decrease in gross receipts or customers; or a closure.”

In Section 1106 it discusses loan forgiveness. Subsection B states “An eligible recipient shall be eligible for forgiveness of indebtedness on a covered loan in an amount equal to the sum of the following costs incurred and payments made during the covered period.”

The statute goes on to state that these loan amounts will be considered canceled indebtedness by the lender and paid for by the SBA.

As one friend of mine put it: “Do not walk to the bank...RUN.” The CARES Act is worth reading. You will not believe it.

*The opinions of the author are not necessarily those of Farm Futures or Farm Progress.*

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