



American small businesses are facing an unprecedented economic disruption due to the novel coronavirus (COVID-19) outbreak, with reports of small businesses experiencing major difficulties. Due to the nature of this economic disruption, the existing disaster recovery programs for small businesses are insufficient. The CARES Act represents more than \$376 billion in relief for struggling small businesses, which falls into two main buckets: Access to Capital and Small Business Support.

Access to Capital

- \$349 billion for forgivable loans to small businesses to pay employees and keep them on the payroll.
 - These loans are open to most businesses under 500 employees, non-profits, the self-employed, startups, and cooperatives.
- \$17 billion for debt relief for current and new SBA borrowers. SBA will pay the principal and interest for the next 6-months on SBA-backed loans.
 - Today, that would help 320,000 small businesses and any new borrowers in the 7(a) or 504 programs.
- \$10 billion in immediate disaster grants. Using the current economic injury disaster loan program, SBA can provide up to \$10,000 to applicants within 3 days of applicants self-certifying they are eligible.

Small Business Support

- Requires SBA to provide additional language resources to ensure small business owners can access the resources they need as easily as possible.
- \$265 million in funding for resource partners, including Small Business Development Centers and Women's Business Centers to provide training and counseling to businesses impacted by Coronavirus.
- A waiver of the WBC matching requirement to alleviate the need to fundraise during the emergency.
- \$10 million for Minority Business Development Agency grants to train and counsel minority-owned firms impacted by Coronavirus.
- \$675 million to provide SBA with the resources it needs to staff up and administer these new and enhanced programs.
- Finally, this will increase the number of small businesses that qualify for streamlined bankruptcy process, by nearly tripling the debt cap to \$7.5 million to help American small businesses that will need to reorganized due to the COVID-19 pandemic.

Paycheck Protection Program – Section 1102

The bill establishes a new guaranteed loan program at SBA for small businesses to cover payroll during the immediate crisis. The Paycheck Protection Program would:

- support \$349 billion in 100 percent guaranteed, low interest, no fee loans of up to \$10 million with repayment deferred for at least six months; and
- forgive up to 100% of the loan if the borrower has retained the same number of employees as when they received the loan.

Who is eligible?

Small and Medium sized businesses up to 500 employees, non-profits, independent contractors and the self-employed. This includes churches but only to cover payroll costs of an associated business, like a thrift store.

What about franchises and hotels?

The program temporarily waives SBA “affiliation rules” to allow businesses with multiple locations the normally are not considered small, to qualify. This is especially important for our restaurant and lodging sector. They are still limited to the same maximum loan size - \$10 million - as a business with one location.

How are loans made?

The SBA’s network of 2,500 7(a) lenders will be used to process these loans. There is also authority to fast track additional lenders to process and disburse these loans to reach as many small businesses as quickly as possible.

Are these grants?

Yes and No. The amount of the loan forgiven at the end of the year will be determined by how many employees were retained on the company’s payroll, up to 100 percent for full retention. There are safeguards built in to protect against employers gaming the program, as well as recognizing some employers will be forced to do temporary furloughs but bring their employees back on.

What is covered?

This bill allows firms to get a loan to cover up to 2.5 months of payroll and any new EIDL loan balances incurred because of Coronavirus but cannot exceed \$10 million.

How long does the program last?

The program is open until June 30, 2020, as it is intended for immediate payroll relief to ensure businesses do not do mass layoffs during this crisis.

How is this different from the House package?

It is nearly identical, we worked with the Senate to include more than just payroll in the loan amount. The CARES Act now includes amounts already disbursed under a new EIDL loan from SBA.

Entrepreneurial Development – Section 1103

SBA resource partners, including Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), provide vital mentorship, guidance and expertise to small businesses. These organizations will need to hire more staff to deal with the increasing number of small businesses that need their help to respond to COVID-19.

- The bill would provide \$265 million in additional funding.

How does this differ from the House package?

We worked closely with our Senate colleagues and are happy to report this provision was included in their package.

State Trade Expansion Program (STEP) Support – Section 1104

The State Trade Expansion Program (STEP) provides matching funds to states and territories to provide opportunities for small businesses to participate in trade missions, international marketing efforts, workshops, export trade show exhibits, and other promotional activities.

The bill would:

- reimburse States for financial losses resulting from the cancellation of foreign trade missions or trade show exhibition due to COVID-19;
- allow States to use unspent funds from FY 2018 and FY 2019 to cover losses due to COVID-19 outbreak through FY 2021.

How does this differ from the House package?

We worked closely with our Senate colleagues and are happy to report this provision was included in their package.

Women's Business Center Matching Waiver – Section 1105

This section waives the requirement that WBC's meet their 1:1 private match to SBA provided funding. This will help alleviate the need to fundraise during the Coronavirus crisis and allow them to continue receiving federal funding to help small businesses.

How does this differ from the House package?

We worked closely with our Senate colleagues and are happy to report this provision was included in their package.

Loan Forgiveness – Section 1106

This section lays out the process by which borrowers will be forgiven on loans taken out under the paycheck protection act

- The amount of the loan forgiven at the end of the covered period will be determined by how many employees were retained on the company's payroll.
- There are safeguards built in to protect against employers gaming the program, and well as recognizing some employers will be forced to do temporary furloughs but bring their employees back on.
- Allows forgiveness for additional wages paid to tipped workers.
- Forgiven amounts will not be considered income for tax purposes.
- Any amounts not forgiven will be covered in the ongoing loan for a term of 10 years, not to exceed 4% interest with the 100% guarantee.

Direct Appropriations – Section 1107

Provides appropriations for this title of the legislation, over \$376 Billion.

Minority Business Development Agency – Section 1108

The bill provides \$10 million for the Minority Business Development Agency grants to train and counsel minority-owned firms impacted by Coronavirus.

Emergency Economic Injury Grants – Section 1110

The bill creates a new \$10 billion grant program, leveraging SBA's Office of Disaster Assistance infrastructure, to provide small businesses with quick, much needed capital.

Small businesses, cooperative, ESOPS, private non-profits, independent contractors and the self-employed would be eligible to receive up to \$10,000 to cover immediate payroll, mortgage, rent, and other operating expenses while they wait for additional relief to be processed.

Who is eligible?

Independent contractors, the self-employed, private non-profits, and small businesses and medium sized businesses with up to 500 employees, including startups, cooperatives, and ESOPs.

What is a private non-profit?

Private non-profits include churches and private universities.

Churches are eligible?

Yes, but limited to business activities. The SBA will make the final determination which activities, like running a thrift shop, are eligible for a grant.

How quickly will grants be made?

The legislation requires SBA to disburse within 3 days of verifying the business's eligibility.

Are grant recipients eligible for other SBA programs?

Yes, businesses remain eligible for the paycheck protection program, disaster loans, and regular SBA-back loans.

How does this differ from the House Package?

We worked closely with our Senate counterpart to ensure their package included this grant program, which was funded at \$10 billion. It will provide up to 1 million small businesses with emergency relief. While not as high as the House package, now that the program is in place, we can push for additional resources in the future.

Increasing Access to SBA Through Multiple Language Support – Section 1111

Immigrant-owned small businesses are an essential part of our economy. In 2018, more than 3.1 million immigrants launched small businesses, employing more than 8 million people, generating more than \$1.3 trillion in sales, and paying more than \$4 billion in taxes.

- The bill would authorize \$25 million for small business resource material and services in the ten most commonly spoken languages.

Why is this needed?

Millions of impacted small business owners do not speak English as a first language but are eligible for SBA's lending and ED program. It is vital they can get the support they are entitled to as easily as possible through language support at SBA.

How does this differ from the House package?

We worked closely with our Senate colleagues and are happy to report this provision was included in their package.

6-months of Principal and Interest Relief - Section 1112

Small businesses in industries heavily impacted by coronavirus—such as travel, tourism, and hospitality—are experiencing dramatic cash flow problems. The government is ultimately responsible for guarantees on these loans and has a vested interest in averting mass defaults.

To provide immediate relief to small businesses with SBA-backed loans, the bill would:

- provide small businesses with relief from SBA loan payments, including principal, interest, and fees, for six months;
- encourage banks to provide further relief to small business borrowers by enabling them to extend the duration of current loans beyond existing limits; and
- This will provide \$17 billion in relief to SBA borrowers.

Who is covered?

Current and new 7(a) and 504 borrowers, under current SBA eligibility requirements. Those include small businesses, sole proprietors, cooperatives, and ESOPs.

Is eligibility expanded for this program?

No, this uses current, long-standing eligibility criteria.

How does it work?

The SBA will pay a borrower's principal and interest for the next 6 months on an SBA-backed loan.

How does this differ from the House package?

This language is the same as was included in the House package and was spearheaded by Senator Coons and Representative Delgado. This is significant relief for 320,000 current and prospective small business borrowers that will need access to capital in the next few months.

Small Business Bankruptcy Enhancement – Section 1113

This section will increase the number of small businesses that qualify for streamlined processes in the Bankruptcy Code we created last year via the Small Business Reorganization Act. As enacted, a small business could not have more than \$2.7 million in debt. Under this section, that number will increase to \$7.5 million to help American small businesses that will need to reorganized due to the COVID-19 pandemic.

How does this differ from the House package?

This provision was included in the House bill.

Emergency Rulemaking – Section 1114

This section requires SBA to issue emergency rulemakings within 15 days to implement these sections.

How does this differ from the House package?

Similar emergency rulemaking was required under the House bill to ensure relief is delivered in a timely fashion, and we are happy to see it included here.

SBA Staffing to Meet Demand

To execute these new programs swiftly, the SBA will need to hire more staff.

- This bill would provide \$675 million for SBA to hire employees to meet increased demand from small businesses impacted by COVID-19.

How does this differ from the House package?

We worked closely with our Senate colleagues and are happy to report this provision will provide \$675 million for salaries and expense of the Administration to carry out these programs.