

Members,

As of March 27, the Senate and House have passed the CARES Act and it was signed by the President. There will be additional details issued in regulations and guidance over the coming weeks.

There are multiple Small Business Administration (SBA) loan options available for employers. There has been a lot of confusion about not being eligible for the new Paycheck Protection Loan of 7(a) if you already have an EIDL 7(b) loan; that is not correct, you can apply for both and have both, or possibly roll the 7(b) into the 7(a), but cannot use the proceeds for the same purpose.

Below is a quick recap of the loans affected by the CARES act:

Economic Injury Disaster Loan (EIDL) - Section 7(b) of SBA

- **We encourage you to apply for this ASAP.**
- It is ONLY available through the SBA website. We encourage you to print a paper application using the link below and upload the application to avoid website traffic issues.
  - <https://disasterloan.sba.gov/apply-for-disaster-loan/index.html>
- If you apply for this loan, you can request an emergency grant of up to \$10,000 which the SBA must provide within 3 business days of grant request. This grant will not have to be repaid even if you are not approved for the loan. If you apply for the loan before the grant is available, you will need to go back and request the grant but will not have to reapply. At this time, there is no guidance on how this is done, but we expect more information will be released.
- Terms: 3.75% interest, up to 30-year repayment, 12 months no payments.
- Credit score of applicant is the primary factor in approval.
- \$10 billion is set aside for the grant program, and the grants are to be given out **First Come First Served**.
- The SBA will determine the amount of an EIDL Loan and the loan is available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.
- For any loan made under this program, no personal guarantee will be required on loans up to \$200,000.
- It is important that this loan is applied for **BEFORE** the section 7(a) loan discussed below if you wish to participate in both programs.
- If you receive EIDL money and you intend to also apply for the Payroll Protection money of 7(a), please consult with your tax advisor to develop an efficient plan for the use of the loan proceeds.

Paycheck Protection Loan - Section 7(a) of SBA

- This loan is not currently available as of 3/28/20.
- This loan will be provided by SBA approved banks. We encourage you to contact your business banker for additional information.
- Terms: 4% interest, up to 10-year repayment, 6 - 12 months no payments.
- Loan proceeds are limited to 2.5x average monthly payroll costs (wages, health insurance, PTO, retirement benefits and state or local payroll taxes assessed on compensation of employees) not to include federal payroll taxes. This does not include 1099 subcontractors or Employee/Owner Compensation over \$100,000.
- Self-employed (1099) individuals are eligible for their own 7(a) loan and loan forgiveness.
- There will be an amount eligible for forgiveness - this amount must be calculated and cannot exceed the sum of the payroll costs, mortgage interest, rent and certain utility payments in the 8-week period following funding. Loan Forgiveness is contingent on having 75% of the number of employees on payroll Feb 15, 2020 by June 30, 2020.
- To seek forgiveness, documentation will be provided to the lender that includes the qualified expenses during the 8-week period subsequent to loan closing.
- Our current understanding is the loan proceeds must be spent by June 30, 2020 even if the 8 weeks extends beyond that date.
- There is potential for refinancing your EIDL loan into the section 7(a) loan to also make it eligible for forgiveness. Even if you are unable to refinance the EIDL into this loan, you are not prohibited from obtaining both loans.

There have been many questions on the timing of SBA funds and actions to be taken by employers. Below is our hopeful timeline related to the Paycheck Protection Program, 7(a) loans:

- CARES Act signed into law - March 27
- Banks receive SBA guidance - By April 11
- Initial loans processed and being funded – Early May

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