

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by the U.S. Senate and the U.S. House of Representatives was signed by President Trump. This legislation will allocate \$349 billion to the Small Business Administration (SBA) for loan guarantees to qualifying businesses and self-employed individuals. Below is a general description of the various options now available through this legislation.

We encourage you to review these different programs and contact your current financial institution to assist with the application process or to apply directly with the SBA as applicable. Please visit the SBA [site](#) for further details.

### **Paycheck Protection Program (PPP)**

**Purpose:** PPP loans are 100% federally guaranteed loans for small businesses intended for companies to maintain their payroll levels and allow partial loan forgiveness, as described below. The loans are available until June 30, 2020 for eligible companies to cover the cost of:

- Payroll
  - Health care benefits and related insurance premiums
  - Employee compensation (with some limitations for employees with salaries over \$100,000 and exclusions for employees based outside the U.S.)
  - Mortgage interest obligations (but not principal)
  - Rent and utilities
  - Interest on debt incurred prior to the loan
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- Who is eligible?
    - Businesses with fewer than 500 employees
    - Business that meet the SBA size standard - Business codes have different revenue levels for eligibility. SBA size tool <https://www.sba.gov/size-standards/>
      - To determine eligibility, you will need the following information:
        - NAICS Business code (6-digit code on your tax return)
        - 3-year average annual revenue (Total **Gross receipts** for the last 3 years divided by 3)
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- PPP loan requirements:
    - Eligible companies must have been in operation on February 15, 2020
    - Had employees for whom the entity paid salaries and payroll taxes, or paid independent contractors.
    - Certify that the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient

and acknowledge that the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments.

- How much?
  - The maximum amount of a PPP loan available to each borrower is equal to the lesser of: (a) \$10 million, or (b) 2.5 x its average total monthly payroll costs, as defined in the Act.
  - PPP Loans are unsecured loans requiring no collateral, no personal guarantee, and no showing that credit is unavailable elsewhere.
  - The PPP loan, to the extent not forgiven, has a maximum 10-year term and the interest rate may not exceed 4%.
  - PPP loans will be made available through SBA-approved lenders, who must offer a 6-12-month deferment on payment of principal, interest, and fees
- Loan Forgiveness – Borrower is eligible for loan forgiveness if:
  - Borrower of a PPP loan is eligible for loan forgiveness for amounts spent during the 8-week period after the origination date, subject to proper documentation, on (i) rent, (ii) defined payroll costs, (iii) mortgage interest, and (iv) utilities, not to exceed the principal of the loan.
  - The amount of the PPP loan forgiveness may be reduced if the borrower reduces the number of employees or salaries and wages (for employees with annual salaries less than \$100,000) during the 8-week period following the origination of the loan. However, this reduction penalty doesn't apply to the extent the borrower restores their workforce count and salaries/wages by June 30, 2020.
- How to apply:
  - Apply with any lending institution that is approved by the SBA.  
<https://www.sba.gov/local-assistance>
  - <https://www.sba.gov/funding-programs/loans>

### **Economic Injury Disaster Loans and Loan Advance (EIDL)**

**Purpose:** to provide economic support to help overcome temporary loss of revenue currently experiencing. Business may request a Loan Advance up to \$10,000 that does not have to be repaid. Funds are available within 3 days of a successful application.

- Who is eligible?
  - Fewer than 500 employees
  - Businesses with more than 500 employees that meet the SBA Size Standard

- Any individual operating under a sole proprietorship or as an independent contractor
- Suffered Substantial economic injury due to COVID-19
- How much?
  - Loan based on a company's actual economic injury as determined by the SBA and up to \$2million.
  - Rate is 3.75% for small businesses and 2.75% for nonprofits.
  - Loan period is up to 30 years and determined by SBA.
- What can it be used for:
  - Payroll
  - Increased costs due to supply chain interruptions
  - Obligations that cannot be met due to revenue loss such as rent, utilities, interest payments
- How to apply for Loan and Loan advance:
  - Apply at SBA <https://covid19relief.sba.gov/#/>
  - After applying request Loan Advance

### **SBA Debt Relief program**

**Purpose:** to provide reprieve to small businesses during this health crisis by providing the follow:

- SBA will pay principal and interest on new 7(a) loans issued prior to September 27, 2020
- SBA will pay the principal and interest of current 7(a) loans for 6 months.
- Who is eligible?
  - Business that meet the SBA size standard, are able to repay and have a sound business purpose.
  - Meet Size standard – Business codes have different revenue levels for eligibility
    - SBA size tool <https://www.sba.gov/size-standards/>
      - To determine eligibility, you will need the following information:
      - NAICS Business code (6-digit code on your tax return)
      - 3-year average annual revenue (Total **Gross receipts** for the last 3 years divided by 3)

- What are 7(a) loans?
  - Loan amounts up to \$5,000,000 and is an all-inclusive loan program deployed by lending partners for eligible small businesses within the U.S. States and its territories.
  - The uses of proceeds include: working capital; expansion/renovation; new construction; purchase of land or buildings; purchase of equipment, fixtures; leasehold improvements; refinancing debt for compelling reasons; seasonal line of credit; inventory; or starting a business.
- How to apply?

Apply with any lending institution that is approved by the SBA.

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