

CARES ACT “LOAN” Programs

Paycheck Protection Program

Overview – This is a hybrid/loan grant. Not all amounts can be “forgiven” (converted into a grant). IMPORTANT – These “loans” will be administered through the SBA’s existing lender network of banks/credit unions

Eligibility – Small businesses (less than 500 employees), self-employed, individuals, and nonprofit organizations

Limits – The size of the loan is limited to the lesser of 250% of the employer’s average monthly payroll (for the prior 12 months unless a seasonal employer) or \$10MM. Covered payroll costs include salary, wages, cash tips (up to \$100,000 annual rate), and employee benefits (health insurance, 401K, etc.)

Proceeds – The loan can be used for payroll costs, benefits, mortgage payments (but not prepayment), rent, utilities, and interest on debt obligations incurred before Feb.2020.

Collateral – No personal guarantee or collateral required. No recourse unless the loan proceeds were not used on eligible expenditures.

Conversion to Grant-

Any amounts paid for payroll costs, interest only portion of mortgage payments, rent payments, utility payments during the 8 week period after the loan begins.

The amount above will be reduced by a formula based upon the reduction of wages for any EE during the covered period vs the most recent full quarter. In other words, if the employer does not maintain its prior quarter payroll, the eligible amounts to convert to a grant will be reduced.

Note - Above bullets are a high level explanation, lots of details to this as you would expect, especially to the reduction formula

Amounts converted to a Grant will not result in interest charges.

Excess amounts remaining after grant conversion

10 year maturity from date of original disbursement

Interest rate 4%

SBA Economic Injury Disaster Grants

For eligible business applying for Economic Injury Loans, they will be able to request an immediate emergency grant of \$10,000. The timeline for payment is 3 days after application for the loan.

Not required to be paid back, even if the loan is subsequently denied

Funds have to be used for payroll/rent/mortgage

Existing SBA Loans

Six month waiver of payments for all existing SBA loans. This is not a deferral, the US. Govt will be making the payments on these loans for the next six months starting with the next payment due after the bill is passed.

Note – Clients should plan on making payments until they get confirmation from the SBA/Bank that no payment is due.