

CARES Act - Business Provisions

H.R.748, Section 2, Division B, Title II – Business Provisions

Sources for Information

The following list provides good places to go for information. Most of these sites represent living documents and are updated frequently.

1. The text of the law itself, H.R.748 - CARES Act, online [here](#)
2. The US Senate Committee on Small Business [website](#)
3. The Small Business Administration SBA's [website](#)
4. See [Restoreyoureconomy.org](#)
5. US Chamber of Commerce [guide and checklist](#) to Coronavirus emergency loans
6. US Chamber of Commerce Foundation [reports](#) and [COVID toolkit](#)

Overview of Programs

1. Paycheck Protection Program (PPP) is a loan available through June 30, 2020, designed to provide a direct incentive for small businesses (<500) to keep their workers on the payroll. The loan will be forgiven if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. Eligible recipients may qualify for a loan up 250% of the borrower's average monthly payroll costs, not to exceed \$10 million. If the workforce is maintained, SBA will forgive the portion of the loan proceeds that are used to cover the first 8 weeks of payroll, rent, mortgage interest, or utilities during the period from February 15th and June 30th following loan origination. All borrower fees are waived.

PPP is for any small business with less than 500 employees (including sole proprietorships, independent contractors, and self-employed persons). Small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs less than 500 workers. This means each store location could be eligible.

One can apply for PPP through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and participating Farm Credit System institution. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. Lenders may begin processing loan applications as soon as Friday, April 3, 2020.

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been

used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. If not forgiven, the loan has a maturity of 2 years and an interest rate of 0.5%. To begin preparing, one can download a sample form [here](#).

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **if** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages

Businesses that have pending or existing SBA disaster assistance loans can still receive funding through the Paycheck Protection Program as long as the loans are being applied to different cost centers.

2. Economic Injury Disaster Loans (EIDL) and Loan Advance.

EIDLs are loans of up to \$2 million that carry interest rates up to 3.75 percent for companies and up to 2.75 percent for nonprofits, as well as principal and interest deferment for up to 4 years. The loans may be used to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses. There is also a provision to provide an advance of \$10,000 to small businesses and nonprofits that apply for an SBA Economic Injury Disaster Loan (EIDL) within three days of applying for the EIDL loan in order to cover some expenses while waiting for loan application to be reviewed.

The EIDL advance does not need to be repaid, even if the borrower is subsequently denied an EIDL, and may be used to provide paid sick leave to employees, maintaining payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. Eligible recipients of an advance must have been in operation on January 31, 2020. The advance is available to small businesses, private nonprofits, sole proprietors and independent contractors, tribal businesses, as well as cooperatives and employee-owned businesses.

A business that receives an EIDL between January 31, 2020 and June 30, 2020 as a result of a COVID-19 disaster declaration is eligible to apply for a PPP loan or the business may refinance their EIDL into a PPP loan. In either case, the emergency EIDL advance of up to \$10,000 would be subtracted from the amount forgiven in the Paycheck Protection Plan.

SBA is trying hard to make this work. The bill also provides \$562 million to ensure that SBA has the resources to provide Economic Injury Disaster Loans (EIDL) to businesses that need financial support.

3. Debt Relief for Existing and New SBA Borrowers. This is a provision to provide immediate relief to small businesses with standard SBA 7(a), 504, or microloans. Under this provision, SBA will cover all loan payments for **existing** SBA borrowers, including principal, interest, and fees, for six months. This relief will also be available to **new** borrowers who take out an SBA loan prior to September 27, 2020. The measure also encourages banks to provide further relief to small business borrowers by allowing them to extend the duration of existing loans beyond existing limits; and enables small business lenders to assist more new and existing borrowers by providing a temporary extension on certain reporting requirements. While SBA borrowers are receiving the six months debt relief, they may apply for a PPP loan that provides capital to keep their employees on the job. The six months of SBA payment relief may not be applied to payments on PPP loans.

4. SBA Express Bridge Loans. This is a pilot program which allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 with less paperwork. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan. If a small business has an urgent need for cash while waiting for decision and disbursement on Economic Injury Disaster Loan, they may qualify for an SBA Express Disaster Bridge Loan up to \$25,000, with fast turnaround, and which will be repaid in full or in part by proceeds from the EIDL loan. One can Find an Express Bridge Loan Lender by connecting with one's [local SBA District Office](#).

5. The CARES Act also provides grants to Small Business Development Centers and similar organizations to provide mentorship, guidance and expertise to small businesses and to hire staff and provide programming to help small businesses and minority-owned businesses respond to COVID-19.

In addition to factors noted above, lenders will also ask for a good faith certification that the borrower does not have an application pending for – nor will receive from Feb. 15, 2020 to Dec. 31, 2020– a loan duplicative of the purpose and amounts applied for here, although there is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan.