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SBA PROGRAMS UNDER THE COVID-19 CARES ACT

The Small Business Administration (SBA) has a new website called Coronavirus (COVID-19): Small Business Guidance and Loan Resources.

<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

The new website includes information on the Paycheck Protection Program, Economic Injury Disaster Loans, SBA Debt Relief, SBA Express Bridge Loans, and other guidance and resources for individuals and businesses suffering economic damage from the Coronavirus (COVID-19) outbreak.

Paycheck Protection Program

Small businesses and sole proprietorships affected by the coronavirus pandemic can apply for loans under the federal Paycheck Protection Program (PPP) beginning April 3, 2020. Independent contractors and self-employed individuals can apply starting April 10, 2020.

Small businesses with 500 or fewer employees including not-for-profits, self-employed individuals, sole proprietorships, and independent contractors are eligible for loans to pay up to eight weeks of payroll costs including benefits as well as other costs. The Paycheck Protection Program will be available through June 30, 2020.

How to Apply

You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program. Lenders may begin processing loan applications as soon as April 3, 2020.

Amount of Loan

Loans can be up to 2.5 times the borrower's average monthly payroll costs, not to exceed \$10 million. If you are a seasonal employer, the monthly average cost may be calculated differently. You can elect to use average monthly payroll costs between February 15, 2019 and June 30, 2019.

Payroll costs for employers *include*:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee)
- Employee benefits including the costs of group health care benefits; payment of any retirement benefit; costs for vacation, parental, family, medical, or sick leave; and allowance for separation or dismissal
- State and local taxes assessed on compensation

For sole proprietors, independent contractors, and self-employed individuals:

- Wage, commission, other income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period

Payroll costs *exclude*:

- Compensation of an individual person in excess of \$100,000
- Federal employment taxes imposed or withheld taxes (payroll and income tax)
- Compensation to an employee whose principal residence is outside of the U.S.
- Qualified sick leave for which a credit is allowed under the Families First Coronavirus Response Act
- Qualified family leave wages for which a credit is allowed under the Families First Coronavirus Response Act

No collateral or personal guarantee is required. However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.

Loan Details and Forgiveness

Up to 100% of the loan amount may be forgiven. Borrowers may seek forgiveness for the loan after loan proceeds have been spent for payroll costs, interest on mortgages, rent, and utilities (at least 75% of the forgiven amount must have been used for payroll). Only the amounts spent on an allowed purpose during the 8 weeks after loan origination will be forgiven. Loan forgiveness will be subject to verification of proper documentation, as determined by the SBA.

The amount of loan forgiveness will decrease if the average number of employees per month decreases after accepting the loan, or if employees' wages are reduced by more than 25%. This reduction is not implemented if the employer is back to normal staffing by June 30, 2020.

Lenders must decide whether to accept a borrower's application for forgiveness within 60 days of receipt of the application for forgiveness. Any remaining balance of the loan must be repaid with interest. However, the interest rate is capped at 4%, and the term length cannot be longer than 10 years.

Loan forgiveness will not cause recognition of cancellation of indebtedness income for tax purposes.

Application

Applications are available on the SBA's website, <https://www.sba.gov/>.

EXISTING SBA DISASTER LOAN PROGRAM

Small business owners are eligible to apply for an Economic Injury Disaster Loan (EIDL) advance of up to \$10,000 while an applicant's loan application is pending. These grants may be used for:

- Providing paid sick leave to employees unable to work due to the direct effect of COVID-19
- Maintaining payroll to retain employees during business disruptions or substantial slowdowns

- Meeting increased costs to obtain materials unavailable from the applicant's original source due to interrupted supply chains
- Making rent or mortgage payments
- Repaying obligations that cannot be met due to revenue losses

This advance does not have to be repaid. If you are granted a loan under the Payment Protection Act and are eligible for loan forgiveness, this grant will reduce the amount eligible for forgiveness.

The SBA's EIDL program provides small businesses with working capital loans of up to \$2 million at a low interest rate and a maturity of up to 30 years. Applications are available on the SBA's website.

Under the CARES Act other requirements under this program have been waived or loosened. These modified loans are available until December 31, 2020. Applicants must have a credit history acceptable to the SBA.

SBA EXPRESS LOAN

The CARES Act increases the maximum SBA Express loan from \$350,000 to \$1 million through December 31, 2020. The SBA will process applications for these loan in 36 hours.

SBA EXPRESS BRIDGE LOANS

The Express Bridge Loan Pilot Program 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 are used to bridge the gap while applying for an SBA Economic Injury Disaster loan.

If we can provide any additional information or assistance, please let us know.