

How does the CARES Act Affect Small Businesses?

Is your small business struggling due to the recent coronavirus epidemic?

- Your business may be eligible for a new Paycheck Protection Loan.
- This 4% interest rate loan is 100% guaranteed by the SBA.

Who is eligible for the Payment Protection Program?

- Businesses and 501(c)(3)s with less than 500 employees.

Where can you get this loan?

- Any existing SBA lenders and any lenders that are brought into the program through the Treasury.
- You should talk to your preferred financial lender to see if they qualify.

What can you use the loan amount for?

- Payroll costs
- Group health care benefits
- Employee salaries
- Interest on any mortgage obligation
- Rent
- Utilities
- And any other debt obligations occurred before Feb. 15, 2020.

How much can you borrow?

- The maximum amount is the lesser of \$10 million or 2.5 times the average monthly payroll based on last year's payroll.

How long will it take to receive the money?

- The SBA has authorized lenders to process, close, and service loans without SBA approval, giving you the means to invest in your business immediately.

What if you can't pay it back?

- First, all payment on principle, interest, and fees will be automatically deferred for six months.
- Second, for businesses that retain their staff up until June 30, 2020, this loan will be forgiven.

Can the entire loan be forgiven?

- No, only the portion of the loan used to cover payroll costs, mortgage interest, rent, and utilities can be forgiven. In addition, only 8 weeks can be forgiven.

Will 501(c)(6) organizations receive assistance under the Senate proposal?

- No, the senate expands eligibility to 501(c)(3) nonprofits only.

Can a borrower utilize an Economic Injury Disaster Loan (EIDL) and a new Paycheck Protection loan under the Senate proposal?

- Yes, businesses will be able to receive an EIDL and a Paycheck Protection loan as long as they go for different things. For example, a business can receive an EIDL for working capital and a Paycheck Protection loan for payroll assistance. Additional flexibility is granted through no prepayment penalties on EIDLs and no prepayments penalties on Payment Protection loans. Additionally, a refinancing option has been included.

Under the Senate proposal, the maximum loan amount intended for payroll and operating costs for small businesses is the monthly payroll times 2.5 with a maximum cap of \$10 million. 2.5 times the average monthly payroll is not nearly enough money for small businesses.

- The Senate is keeping the calculation at 2.5 times monthly payroll, earmarked to payrolls, etc. over 8 weeks, because that is what the \$350 billion will cover.

In the Paycheck Protection Program, are non-profits eligible, are churches eligible, are Chambers of Commerce and physician practices eligible?

- Non-profits and churches designated as 501(c)(3) may participate in the Paycheck Protection Program. Physician practices are eligible, regardless of how they are structured (ex: as an S-Corp, C-Corp, or sole proprietorship). Unfortunately, most trade associations (therefore most Chambers) are organized as 501(c)(6)s. They are not eligible to participate under the Senate bill.

In the Paycheck Protection Program, can small businesses hire back employees they already fired and still have the loans forgiven? What is the hire back date?

- Yes. There is flexibility in the program to allow businesses to rehire folks they have laid off and still qualify. They simply need to be in business before February 15th and show the lender they have had employees on the payroll.

What are the exact steps for small businesses to access the capital? Where can I find the information? Is there a video or other form of assistance?

- The best place to go is your lender. The SBA and Treasury will be producing documents and instructional materials, but that takes time and your lenders would be the fastest way to get information.

How quickly will business be able to access loans?

- Congress is working with the SBA on capacity issues, including onboarding new lenders. The SBA is assuring they will have things in place and that they are ready to stand up all of the requirements within the Senate bill as quickly as possible.

Are there other options in the CARES Act that aren't loans?

- Yes, the Act would provide grants and funding to offer training, counseling and assistance to small businesses affected.



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