

# Coronavirus Aid, Relief, & Economic Security Act “CARES ACT” H.R. 748

## SUMMARY SHEET

The CARES Act would authorize the Small Business Administration (“SBA”) to provide loan guarantees for up to **\$349 billion** in loan commitments under the SBA’s 7(a) program (the SBA’s primary program for providing financial assistance to small businesses), funding a new “**paycheck protection**” program.

## SBA LOAN ELIGIBILITY







Under the CARES Act, small businesses would continue to be eligible under existing law standards for an SBA loan. However, the CARES Act expands eligibility for loans authorized by the legislation (a “covered loan”) to **all businesses with no more than 500 employees**.

Independent contractors shall be eligible to receive a covered loan upon submission of documentation establishing such individual as eligible.

## SBA BORROWER REQUIREMENTS

An eligible recipient applying for a covered loan shall make a good faith certification that:

-  The uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient;
-  Funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments;
-  The eligible recipient does not have an application pending for a loan under this subsection for the same purpose and duplicative of amount applied for or received under a covered loan; and
-  During the period February 15, 2020 and December 31, 2020 the eligible recipient has not received amounts under this subsection for the same purpose and duplicative of amounts applied for or received under a covered loan.

## SBA LOAN TERMS

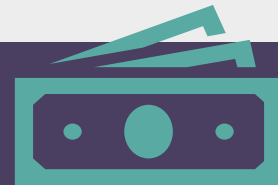
Eligible businesses may receive **one** covered loan.

Generally, the maximum loan amount is the **lesser of (1) \$10 million, or (2) 2.5 times the average total monthly payments by the applicant for payroll costs** incurred during the one-year period before the date of the loan.

The CARES Act **does not** require collateral or personal guarantees for a covered loan.

A covered loan shall bear **an interest rate of 1%**. Payments of principal, interest, and fees will be deferred for at least six months, but not more than one year.

The covered period begins on the date of loan origination and ends, at the election of the borrower, after 8-weeks, or the earlier of **24-weeks and December 31, 2020**.



### Used For:

- Salaries, commissions, or similar compensation;
- Paid leave;
- Allowances for dismissal or separation;
- Contributions to employee health insurance;
- Contributions to employee retirement benefits;
- State and local taxes;
- Interest on mortgage obligations;
- Rent and utilities

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### SBA LOAN FORGIVENESS

The CARES Act allows for covered loan forgiveness under certain conditions. The loan forgiveness amount is equal to the **payroll costs, mortgage interest payments, rent, and utility payments** incurred or paid by a recipient during the covered period. To achieve forgiveness, payroll must account for at least **60%** of the loan amount, leaving **40%** to be used for mortgage interest, rent, and utilities.

The loan forgiveness amount is reduced if the recipient

- 1** reduces the average number of full-time equivalent employees per month during the covered period below historic levels, or
- 2** reduces the salary or wages of any employee in excess of 25%.

No eligible recipient shall receive forgiveness without submitting to the lender that is servicing the covered loan the required documentation.

### APPLICATIONS



To participate in the program, an eligible business must submit an application to the lender that originated the covered loan that includes:

- (1) documentation verifying the number of full-time equivalent employees on payroll and pay rates for the applicable periods, including payroll tax filings;
- (2) state income, payroll, and unemployment insurance filings; and
- (3) documentation verifying payments on mortgage obligations, lease obligations and utilities, including cancelled checks, payment receipts, and transcripts of accounts.

### LENDERS

In general, the Secretary may issue regulations and guidance as necessary to carry out the purposes of CARES Act covered loans.

Lenders qualified to participate as a lender under 7(a) of the SBA may elect to participate in the Paycheck Protection Program. The Administrator may also appoint additional lenders. **Please refer to the SBA website for additional information on lender matching for the CARES Act.**



More detail on how to apply and the criteria the SBA will use to determine who will receive loans will be available at [www.sba.gov](http://www.sba.gov).