

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

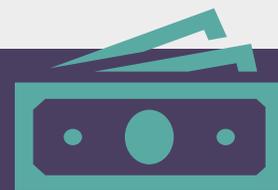
Eligible businesses may receive **one** covered loan.

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 costs¹**—only payroll costs, not the other costs the loan proceeds may cover—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 not to exceed 4%**. Payments of principal, interest, and fees will be deferred for at least six months, but not more than one year.

The covered period for covered loans is **February 15, 2020 – June 30, 2020**.



Used For:

- Payroll costs;
- Continuation of group health care benefits during periods of paid sick, medical, or family leave, or insurance premiums;
- Salaries, commissions, or similar compensation;
- Interest on mortgage obligations;
- Rent & utilities;
- Interest on other outstanding debt that were incurred before the coverage period

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SBA LOAN FORGIVENESS

The CARES Act allows for covered loan forgiveness under certain conditions. The loan forgiveness amount, which is excluded from taxable income, is equal to the **payroll costs, mortgage interest payments, rent, and utility payments** incurred or paid by a recipient during the covered period.

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 the lesser of (a) the average number of full-time equivalent employees per month from February 15, 2019 to June 30, 2019, or (b) the average number of full-time equivalent employees per month from January 1, 2020 to February 29, 2020, or
- 2** reduces the salary or wages of any employee in excess of 25% of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the covered period. There is no reduction if a borrower re-hires the employees who earlier were terminated.

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.