

**FOR
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RELEASE**



**CARES Act
The Impact on
U.S. SBA Existing Loan Programs and
New Loan Programs
March 30, 2020**

Congress approved and the President signed into law, the CARES Act on March 27, 2020. Certain provisions within the ACT have an impact on current SBA loans in addition to creating new loan and grant programs. This is a high-level look at some of the major portions of the Act.

Payment Relief on SBA loans:

SBA is required to pay the principal, interest, and any associated fees owed on all 7(a) and 504 loans in regular servicing starting with the next payment due for existing and new borrowers. Below are the three scenarios clearly outlined in the Act:

1. Existing loan; six-month payment relief begins with the next payment due
2. Existing loan on deferment; six-month payment relief begins with the next payment due on the loan after the deferment period ends
3. New loans made within six months of the date of enactment of the Act (3/27/2020); six months of payments beginning with the first payment due on the loan

Paycheck Protection Program Loan:

The Act creates an additional 7(a) loan referred to as a Paycheck Protection Program (PPP) loan. PPP loan provisions within the Act are outlined below, subject to guidance to be provided by SBA in the next 30 days:

- Who is eligible?
 - Businesses, either for profit or non-profit (501c (3)) with ≤ 500 full-time equivalent employees
 - If a company's NAICS code begins with 72 (hospitality and food service industries) then the ≤ 500 employee provision is considered on a "per physical location" basis
- What are "covered costs"?
 - The amount of "Payroll related costs" is defined as the sum of payments of any compensation with respect to employees that is a salary, wage,

commission, tip, vacation, parental, family, medical leave, sick leave, allowance for dismissal or separation, group health care benefits, retirement benefits and state or local taxes

- Available loan amount?
 - The lesser of:
 - 250% of the average total monthly payments by the applicant for payroll costs incurred during the 1-year period before the date on which the loan is made; and
 - \$10,000,000
- What may the proceeds of the loan be used for?
 - During the "covered period" (2/15/2020 to 6/30/2020) funds may be used for payroll related costs (as described above), utilities, rent, interest on any mortgage payment (not principal), interest on other debt obligations for loans incurred prior to 2/15/2020
- Is there a maximum loan amount?
 - \$10 million on a 7(a) PPP loan
- Is loan forgiveness a feature of the PPP loan?
 - Yes, the amount paid by the borrower to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments during the 8 week period beginning on the date of the covered loan can be forgiven; any remaining balance will be amortized for up to 10 years
- Payment structure?
 - Lenders are required to defer monthly payments for a period of not less than six months and not more than one year
- Loan Term?
 - Any portion of a PPP loan not forgiven may be termed out for up to 10 years from the date of application for loan forgiveness
- Guaranty?
 - SBA guaranty under the PPP Program is 100%
- Fees?
 - All borrower and lender fees are waived
- Interest Rate?
 - Capped at 4%
- Collateral?
 - No
- Personal Guaranties?
 - No
- Timing:
 - Subject to SBA guidance, loans must be closed prior to June 30, 2020
- How do I apply?
 - Through your SBA 7(a) lender (bank or credit union)

SBA Economic Injury Disaster Loan (EIDL) Program.

These are direct loans obtained directly through the SBA (see link below).

- Who is eligible?
 - Businesses, either for profit or non-profit (501c (3)) with \leq 500 employees (FTE)
- Available loan amount?
 - Up to \$2 million but will be determined by an SBA Underwriter
- Loan Term?

- Up to 30 years
- Loans may be prepaid without penalty regardless of the term
- Fees?
 - All borrower and lender fees are waived
- Interest Rate?
 - 3.75% if a for-profit; 2.75% if a non-profit
- Collateral?
 - Not for loans \leq \$25,000
 - Yes, for loans $>$ \$25,000; requires all available collateral, no appraisals required on RE (there is some recent indication SBA is waiving the collateral requirement for all EIDL loans)
- Personal Guaranties?
 - Not for loans \leq \$25,000
 - Yes, for loans $>$ \$25,000
- Timing:
 - Estimated at 30 days, application to receipt of funds
- Loan forgiveness:
 - None
- How do I apply?
 - Direct with the SBA at www.sba.gov/disaster

SBA Economic Injury Disaster Grant (EIDG) Program.

- Who is eligible?
 - Businesses, either for profit or non-profit (501c (3)) with \leq 500 employees (FTE) in business prior to January 31, 2020
- Available grant amount?
 - \$10,000 to any small businesses and non-profits that apply for an SBA EIDL within three days of applying for the loan
 - The grant does not have to be repaid even if the grantee is subsequently denied an EIDL
- Use of the grant?
 - Maintain payroll
 - Provide paid sick leave
 - Meet increased production costs due to supply chain disruptions
 - Pay business obligations including debt payments, rent and mortgage payments
- How do I apply?
 - Direct with the SBA at www.sba.gov/disaster

Additional resources regarding information contained in the CARES Act.

[Senate Committee on Small Business Resource Guide](#)