

The Small Business Owner's Guide to the CARES Act and SBA Disaster Loan Programs

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CARES ACT and SBA EIDL Loan Programs

Payroll Protection Program Loans (PPP)	Economic Injury Disaster Loans (EIDL)	Economic Injury Disaster (EIDL) Grant Program
<p>A new SBA 7(a) loan program created by the CARES Act for small businesses and the self-employed to provide financial assistance due to the COVID-19 pandemic. If employers maintain payroll, PPP Loans may be forgiven.</p>	<p>This is a low-interest, fixed rate loan that can provide up to \$2 million in assistance for small businesses that can be used to pay immediate expenses during the COVID-19 crisis.</p>	<p>The CARES Act creates a new \$10 billion grant program utilizing the SBA's Office of Disaster Assistance Infrastructure, to provide small business with quick capital in the form of a grant.</p>

What Documentation is Needed to Get Started with your SBA Loan Application?

- Payroll reports for 2019 and 2020 year-to-date showing the following by employee and/or officers:
 - Gross wages
 - Paid time off
 - Paid vacation
 - Pay for family medical leave
 - State and local taxes (form 940, 941, or 944)
- 1099s for independent contractors (if applicable)
- Complete 2019 tax return *OR* 2019 Profit and Loss Report and Balance Sheet
- Documentation Showing:
 - Funds received in the form of an Economic Injury Loan since January 31, 2020
 - Payments for group health care benefits including premiums paid in 2019 to 2020 year-to-date
 - Payment of any retirement benefits paid in 2019 and 2020 year-to-date

Needed for verification of forgiveness amount:

- Quarterly IRS forms 940, 941, or 944 for the following dates:
 - March 31, 2019, and June 30, 2019
 - March 31, 2020, and June 30, 2020
- Documentation in the form of canceled checks, payment receipts, and bank statements showing payment of the following items February 15, 2020, to June 30, 2020:
 - Mortgage interest
 - Rent payments
 - Utilities



Can borrowers refinance an existing SBA EIDL loan to be “forgiven” along with the PPP Loan?

The loan must have been issued since January 31, 2020 and be a covered expense in the PPP Loan program in order to be forgiven.

Loan Programs in Comparison

- Eligibility
 - What are the size requirements for each Loan Program?
 - Are newly-formed businesses eligible?
 - Must have been in operation as of 2/15/2020
- Use of proceeds
 - What can the loan funds be used for?



Loan Programs in Comparison (Cont.)

- How long will the process take?
 - EIDL Loan Program
 - PPP Loan Program

- Maximum amount of loan or grant

- Limitations on payroll
 - Limitations apply to PPP Loans only

Loan Programs in Comparison (Cont.)



- SBA guaranty fees
 - NO guaranty fees!
- Interest rate
- Payment options

Loan Programs in Comparison (Cont.)

- Personal guarantee
 - Do typical SBA guarantee requirements apply?
- Collateral
 - Will the SBA or my lender have collateral requirements?



Loan Forgiveness

Loan Programs in Comparison (Cont.)

- Loan forgiveness
 - What the CARES Act provides
 - Awaiting further guidance from the SBA

CARES ACT – NAVIGATING THE LOAN PROGRAMS

	Payroll Protection Program Loans (PPP)	Economic Injury Disaster Loans (EIDL)	Economic Injury Disaster (EIDL) Grant Program
Description	This is a new SBA 7(a) loan program created by the CARES Act for small businesses and the self-employed to provide financial assistance due to the COVID-19 pandemic. If employers maintain payroll, PPP Loans may be forgiven (see below).	This low-interest, fixed rate loan can provide up to \$2 million in assistance for small businesses that can be used to pay immediate expenses during the COVID-19 crisis.	The CARES Act creates a new \$10 billion grant program utilizing the SBA’s Office of Disaster Assistance Infrastructure, to provide small business with quick capital in the form of a grant.
Eligibility	Companies with the greater of no more than 500 employees (not counting independent contractors), or their applicable employee size standard under the NAICS system; 501 (c)(3) nonprofits with fewer than 500 employees; sole proprietors; the self-employed; and independent contractors. Must have been in operation as of 2/15/20.	Companies with no more than 500 employees, including cooperatives, ESOPs, and nonprofit organizations; sole proprietors; the self-employed; and independent contractors.	Companies with no more than 500 employees, including cooperatives, ESOPs, and nonprofit organizations; sole proprietors; the self-employed; and independent contractors.
Use of Proceeds	Funds can be used to pay salaries, commissions, and payroll (both for employees and independent contractors), group health benefits, interest on mortgages, rent, utilities, and interest on debt incurred before February 15, 2020; <u>provided</u> , that the SBA requires that at least 75% of the loan proceeds must be used for payroll costs.	Funds can be used to pay fixed debts, salaries, commissions, and payroll, accounts payable and other bills that otherwise cannot be paid because of the disaster’s impact.	Funds can be used for any allowable purpose under the EIDL Program, including paid sick leave, salaries, commissions, and payroll, and rent, utilities, mortgage payments, and repaying unmet obligations.
How can I apply?	Directly through lenders. You can call your local bank or find SBA-approved lenders in your area through SBA’s online portal: https://www.sba.gov/funding-programs/loans/paycheck-protection-program	Directly online through the US Treasury at: https://www.sba.gov/funding-programs/disaster-assistance	Directly online through the US Treasury at: https://www.sba.gov/funding-programs/disaster-assistance
How long will the process take?	All current SBA 7(a) Lenders are now considered eligible lenders. The Department of Treasury will authorize new lenders to help expedite the processes and delivery of capital to small businesses. The SBA has released an Interim Final Rule, and more guidelines on the PPP Loan program are expected at any time. The timing of funding will depend upon the lender you choose.	Online applications may vary, but most SBA materials provided reflect disbursement of funds within 2-3 weeks from application filing.	Legislation requires the SBA to disburse the funds through EIDL Loans within three (3) days after receiving and approving the application

CARES ACT – NAVIGATING THE LOAN PROGRAMS

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Maximum Amount of Loan or Grant	The lesser of: (a) \$10 million; <u>OR</u> (b) for companies that have been in business for a year, 2.5 times the average monthly payroll for the preceding 12 months (with special rules for companies that have been in business for less than a year and seasonal businesses); <u>PLUS</u> (c) the outstanding amount of any emergency SBA loan obtained between 1/31/20 and 4/3/20.	Up to \$2 million.	Up to \$10,000.
Limitations on Payroll	The PPP Loan cannot be used to pay payroll costs on compensation paid to individuals, including the self-employed, in excess of \$100,000. It also cannot be used to pay payroll to employees whose primary residence is outside the U.S.	None.	None.
SBA Guaranty Fees	None.	None.	None.
Interest Rate	No more than 4.0%, but will be 1.0%.	3.75% for profit borrowers and 2.75% for non-profit borrowers.	None.
Loan Term	2 years from date of issuance (although the CARES Act allowed up to 10-years).	Up to 30 years. Terms are on a case-by-case basis.	None. This is a grant, not a loan.
Payment Options	The SBA will permit deferment of loan repayments for six (6) months.	Deferment of loan repayments permitted for one (1) year.	None.
Personal Guarantee	None.	Loans over \$200,000 may require a personal guaranty.	None.
Collateral	None.	Collateral may be required on EIDL Loans over \$25,000; UCC lien recorded on all business assets and possibly real estate.	None.

CARES ACT – NAVIGATING THE LOAN PROGRAMS

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Loan Forgiveness	<p>An amount equal to the sums paid by the borrower during an eight (8) week period after the origination date of the PPP Loan (the “Covered Period”) for payroll costs (not including payments to independent contractors), interest payment on any mortgage, rent, utilities, or other interest, as long as at least 75% is used for payroll costs.</p> <p><u>PROVIDED, HOWEVER,</u></p> <p>The maximum amount of forgiven will be reduced by multiplying the maximum amount by:</p> <p>(a) the percentage obtained by dividing (1) the average number of FTEs employed per month during the Covered Period by (2) <u>either</u> (at the borrower’s election) (ii) the average number of FTEs employed per month between 2/15/19 and 6/30/19, <u>or</u> (ii) the average number of FTEs employed per month between 1/1/20 and 2/29/20 (subject to a special rule for seasonal employers).</p> <p><u>PLUS</u></p> <p>(b) for any employee who was paid \$100,000 or less in 2019, an amount equal to the reduction in excess of 25% in the total salary or wages paid to the employee during the Covered Period as compared to the salary or wages paid to that employee during the most recent full quarter of employment.</p> <p><u>BUT</u></p> <p>The reductions described above will not apply if any reduction in FTEs or any salary reduction that was made between 2/15/20 and 30 days after the enactment of the CARES Act is rescinded, so employees are rehired and salary reduction is stopped no later than 6/30/20.</p>	<p>An advance of \$10,000 will be provided as a grant within three days of application and is not required to be repaid if the EIDL Loan denied.</p> <p>Note: EIDL Loan recipients may not apply for PPP Loans for the same purposes (although an existing EIDL Loan can be refinanced into a PPP Loan).</p>	<p>None needed, as this is a grant program.</p> <p>Note: EIDL Grant recipients still may apply for a PPP Loan, but when determining loan forgiveness, the \$10,000 EIDL Grant is taken into consideration.</p>

Questions?



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