

What to Know About the CARES Act Small Business Loan Provisions

The U.S. Small Business Administration (SBA) is offering low-interest federal disaster loans and grants for working capital to small businesses (including nonprofits) suffering substantial economic injury as a result of the Coronavirus (COVID-19) through the SBA Economic Injury Disaster Loan (EIDL) and EIDL Grant/Advance. It is also offering a Paycheck Protection Program (PPP) loan that is forgivable if the business meets certain requirements. This document provides a summary of both the EIDL and PPP loans.

SBA Economic Injury Disaster Loan (EIDL) and EIDL Grant/Advance (Sec. 1110)

Eligibility:	Business must have fewer than 500 employees – includes nonprofits
Uses:	Dollars must be used for working capital and operating expenses such as fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact.

Terms:	Maximum Principal \$2 Million (amount awarded determined by SBA)
	Interest rate 3.75%; Nonprofit rate is 2.75%
	Term up to 30 years

Application:	Streamlined application - supporting documents do not need to be uploaded with the initial application. They will be requested later when the application is reviewed.
	SBA will ask for your total revenues, cost of goods and operating expenses.
	Be prepared to enter your business bank account information for an ACH transmittal.
EIDL Grant Option:	At the end of the application, business owners will be asked if they would like to receive <i>up to</i> a \$10,000 advance. If the box is checked, an amount calculated by the SBA will be offered to the business owner and will be sent within three days of application review. If the loan is ultimately denied, this advance does not have to be repaid and becomes a grant to the business.
Important Note:	If you already submitted an EIDL application prior to the cash advance offer, go back to your application, sign in and check off that you would like to be considered for the advance. The application will remain in the queue as before.

How to Apply for EIDL Loan:	Apply here: https://covid19relief.sba.gov/#/
------------------------------------	---

Paycheck Protection Program (PPP) Loan (Sec.1102)

Purpose: to provide a direct incentive for small businesses (including nonprofits) to keep workers on their payroll. SBA will forgive loans if all employees are kept on or returned to the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Eligibility:	Employers with less than 500 employees
	Nonprofits are eligible
	Aggregation of affiliated employers is required

Terms:	Loan payments deferred up to six months but interest will accrue
	2-year maturity
	Interest rate: 0.5% fixed rate
	Interest will continue to accrue over this period
	There are no prepayment penalties or fees
	No collateral is required
	No personal guarantee requirement
	Loan Amount is determined as the lesser of \$10M or 2.5 times the average monthly Payroll Expenses for the 12 months prior to the funding of the loan

Eligible Expenses to be Paid with Loan Proceeds:	
Payroll Expenses:	Payroll Expenses includes tips, medical insurance costs, paid leave, severance pay, retirement plan contributions and state/local employment taxes.
	Payroll calculations can include leased employees
	Individual employee compensation limited to \$100k per year
Other Eligible Expenses Include:	Interest on mortgage obligations in place before February 15, 2020
	Rent under lease agreements in force before February 15, 2020
	Utilities for service which began before February 15, 2020
	EIDL Loans may be refinanced or paid down with proceeds from this program

[Continued on next page]

PPP Loan Forgiveness (Sec. 1106)

PPP loan forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease below 75% of previous levels.

Loans will be fully forgiven to the extent the proceeds are expended during the first eight weeks if:	Average number of employees (on an FTE basis) is the same at June 30, 2020 as it was from the average number of employees from one of the periods below (employers must pick one): <ul style="list-style-type: none"> February 15, 2019 through June 30, 2019 or January 1, 2020 through February 29, 2020
	No employee's compensation during such period is reduced by more than 25%
	Any portion of the PPP loan not forgiven must be paid back as follows: <ul style="list-style-type: none"> Loan balance is due in 2 years Interest rate is 0.5% p.a.
Additional notes:	You will need to provide your lender with payroll documentation and other information at some point in the process.
	To the extent either condition is not met, a proportionate share of the loan will remain outstanding to be paid back and the balance will be forgiven.
	Under CARES Act 2302(a)(3), if any part of the loan is forgiven, employer is not eligible for two-year deferral of employer's share of Social Security taxes. (Check the CARES ACT Paid Leave portion for more info on Social Security tax credits).
How to Apply:	<p>Applicants can submit an application to CEF. Click here to access the PPP application through CEF.</p> <p>We encourage you to apply through CEF whether or not you have applied with another bank or financial institution. Conversely, we strongly encourage you to apply with other institutions, in addition to CEF, as well. You are not restricted in the number of places you apply but you are restricted to accept only one PPP loan. The terms are standard with all lenders.</p> <p>Applications will begin processing April 3, 2020 and continue through June 30, 2020, or until program funds are expended, whichever is first.</p>

The PPP application can be found [HERE](#) | A sample application can be found [HERE](#)

A top-line overview of the program can be found [HERE](#)

If you're a borrower, more information on the Paycheck Protection Program (PPP) can be found [HERE](#)

Additional information about the CARES ACT can be found here: <https://home.treasury.gov/cares>

NOTE: This information is as accurate as CEF could determine with available public resources and may change or contain unintentional misstatements due to this rapidly evolving situation. Applicants to these programs must read official information in the application materials and forms to obtain the most updated information.