



CARES ACT TITLE I- KEEPING WORKERS PAID AND EMPLOYED ACT

SBA 7A PROGRAM "PAYCHECK PROTECTION LOAN"

The CARES Act amends the Small Business Act (SBA) to create a new Business Loan Program category (hereinafter, the "program"). For the period from February 15, 2020 to June 30, 2020 (covered period), the law allows the Small Business Administration (Administration) to provide 100% federally-backed loans up to a maximum amount to eligible businesses to help pay operational costs like payroll, rent, health benefits, insurance premiums, utilities, etc. Subject to certain conditions, loan amounts are forgivable. Summary highlights of the program are listed below:

WHAT BUSINESSES ARE ELIGIBLE?

- These loans are for small businesses, (generally up to 500 people, but potentially larger depending on economic sector)
- For profit, non-profit 501 (C)(3), sole proprietors, self-employed and independent contractors can apply.

WHAT IS THE NATURE OF THE LOANS?

- All loans are 100% guaranteed by SBA (Small Business Administration)
- Loans are made by SBA-certified lenders (over 800 financial institutions currently)
- Maximum loan amounts will generally be calculated by multiplying 2.5 times the *average monthly payroll costs, including certain benefits and state/local taxes* for the business. The maximum loan amount will be \$10 Million.
 - Excludes individual employee compensation above \$100,000 per year.
- No collateral will be required.
- No personal guarantees will be required.
- No payments will be required for up to 12 months.
- Fixed Rate up to 4% for the full term of the loan (term can go up to 10 years).
- No closing costs or SBA fees will be charged to borrower.
- Loan proceeds will be funded directly to the business either same day or by next business day after closing.
- The business may use the proceeds to pay payroll costs and other essential operating expenses including rent, mortgage payments or other loan payments, health insurance costs, and utilities.

WHAT ARE THE OBLIGATIONS OF OUR BUSINESS?

- The bill requires eligible borrowers to make a good faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19.
- Businesses **must certify** loan proceeds will be used to retain workers, maintain payroll, make mortgage or lease payments and pay utilities.
- Loans must be originated by no later than June 30, 2020.

WHAT ABOUT THE LOAN FORGIVENESS?

- Beginning July 1, 2020, the borrower may apply directly to the originating bank to have a portion of the loan forgiven



- Forgiveness amount is based upon the sum of 8 weeks payroll and certain other costs such as mortgage interest, rent, certain utilities for the period beginning on the date of the loan.
- Forgiveness amount is reduced by reductions in the workforce or reductions in wages/salary.
- Any remaining loan balance that is not forgiven will be converted to a fully amortizing P&I payments over the remaining term of the loan.

For further details on the Paycheck Protection Program, please don't hesitate to reach out to us or your accounting firm. Your accounting firm and your preferred bank provider (approved by SBA) will be able to help you with the process.

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