



## COVID-19 UPDATE | MARCH 31, 2020

### SBA LOANS FOR SMALL BUSINESSES IMPACTED BY COVID-19

The CARES Act, which was signed into law on March 27, 2020, is a \$2 trillion financial aid package that includes \$350 billion in desperately needed relief for small businesses impacted by the COVID-19 pandemic.

Of particular significance are a massive new loan program for small businesses through the Small Business Association (SBA) called the Paycheck Protection Program (PPP), and changes to the SBA's Economic Injury Disaster Loan (EIDL) Program.

CRR knows that these loan programs will be a lifeline for small businesses during the current economic slowdown, and we are currently prioritizing application support.

**The Paycheck Protection Program (PPP)** allows eligible businesses to apply for loans up to \$10 million to support payroll; mortgage; rent and utility payments; insurance premiums; and other debt obligations.

PPP details include:

- Eligible employers are those with less than 500 employees (including non-profits); individuals who operate as a sole proprietorship or as an independent contractor; and self-employed individuals; who have been in business since February 15, 2020, and who have suffered a disruption of work due to COVID-19.
- Loan proceeds must be used only for payroll (including employee compensation; paid vacation; sick time; and family and medical leave; severance payments; health care benefits and insurance premiums; retirement benefits; and state and local tax on compensation), rent, mortgages, utilities, and debt obligations incurred between February 15, 2020 and June 30, 2020
- Ineligible payroll costs include employee/owner compensation over \$100,000; payroll taxes, railroad retirement taxes, and income taxes; compensation of any employee whose principal residence is outside the US; and qualified sick and family leave for which a credit is allowed under the Families First Coronavirus Response Act.
- Eligible employers can apply for loans up to 2.5 times their average monthly payroll cost, up to \$10 million
- Maximum interest rate of 4%, zero loan fees, zero prepayment fee.
- All payments are deferred for the first six months after funding is received, and debt service payments can be deferred up to one year.
- All or a portion of the loan may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.
- Any loan amounts not forgiven are carried forward as an ongoing loan with a maximum term of 10 years, at a maximum interest rate of 4%.
- Limit of one loan per entity.
- This program is to be administered by local lenders.
- An application process is expected to be launched as early as Friday, April 3, 2020, but could delay into next week..

**Economic Injury Disaster Loans (EIDLs)** are low interest loans of up to \$2 million for businesses impacted by an economic crisis, to be used for payroll and other operating expenses. In light of the COVID-19 crisis, the SBA has updated the program to include Emergency Economic Injury Grants, available to eligible small businesses as an advance payment up to \$10,000 that does not require repayment, even if an EIDL loan application is subsequently denied.

EIDL details include:

- Eligible employers are those with less than 500 employees (including non-profits); sole proprietorships; independent contractors; cooperatives; and employee-owned businesses; who have been in operation since January 31, 2020, and who have suffered a disruption of work due to COVID-19.
- Interest rate is 3.75% for businesses, 2.75% for non-profits.
- Loan terms up to 30 years, with no provision for debt forgiveness.
- Personal guarantees are waived on EIDLs up to \$200,000.
- Eligible applicants may request an Emergency Economic Injury Grant—an advance up to \$10,000—to be paid within 3 days of a completed application. Applicants will not be required to repay this advance payment, even if their EIDL application is subsequently denied.
- If a grant is awarded and later converted to a PPP loan, the amount will impact loan forgiveness calculation.
- Grants are available January 31, 2020 – December 31, 2020 to allow those who have already applied for EIDLs to be eligible to also receive a grant.
- The program is currently funded at \$10 billion.
- Grants are available on a first come/first served basis, so time is of the essence.
- Application is available online at:  
<https://www.sba.gov/disaster/apply-for-disaster-loan/index.html>

We expect more information to be released this week regarding the Paycheck Protection Program. CRR is closely following the guidelines being released regarding these and other relief measures, and prioritizing application support for small business loan programs as time is of the essence in securing these. Reach out to your CRR representative for assistance in evaluating your options, gathering the information and supporting documentation necessary to apply, maximizing loan forgiveness, and navigating the application process.

If you have any questions, please don't hesitate to contact us at [info@crrcpa.com](mailto:info@crrcpa.com). We're in this together.