

## **CARES Act loans – Chapter members – Get cash now:**

### **WHAT?**

Coronavirus Aid, Relief, and Economic Security (CARES) Act allots \$10B for Economic Injury Disaster Loans (EIDLs) (discussed immediately below) and \$350B for Paycheck Protection Program Loan Guarantee loans (discussed further below).

You may apply for Economic Injury Disaster Loans (EIDLs) **AND** Paycheck Protection Program Loan Guarantee loans as long as they cover different expenses. This is also true if you are pursuing other local or regional government assistance.

### **ECONOMIC INJURY DISASTER LOANS (EIDLs)**

Economic Injury Disaster Loans are not new. What is new is that this is the first time a virus or pandemic event has been defined as a disaster. This declaration makes EIDLs available for which your company may apply.

#### **Qualifications:**

- Must have been in business by January 31, 2020
- CARES Act expands access to sole proprietors or independent contractors, cooperatives, and ESOPs with fewer than 500 employees
- Available EVEN IF you have a credit line elsewhere (CARES Act waives requirement that you be unable to obtain credit elsewhere). So, credit line may be used for other needs.
- Can be approved by U.S. Small Business Administration (SBA) based solely on applicant's credit score (not repayment ability, no tax return required, and prior bankruptcy isn't a disqualifier).
- EIDLs of less than \$200K may be approved without a personal guarantee (also not requiring real estate as collateral and will take general security interest in business property).
- Can receive \$10K in emergency grant cash advance that can be forgiven if spent on paid leave, maintaining payroll, increase costs due to supply chain disruption, mortgage or lease payments or repaying obligations that cannot be met due to revenue loss.
  - \$10K emergency cash available EVEN IF you don't qualify for additional funds!

#### **Terms:**

- No loan fees, guarantee fees, or prepayment fees.
- 30-year loans
- Up to \$2M
- 3.75%
- First month's payment deferred a year from the date of the promissory note

#### **How to apply:**

- Apply for these loans directly through SBA at [www.SBA.gov/disaster](http://www.SBA.gov/disaster) (the site is still under development as of this writing). No need to pay anyone to package a loan for you; apply directly through the website.
- Make sure to apply for Economic Injury for the Coronavirus (not physical damage due to another disaster).

**Timing:**

- Apply now (even if you might not need it). You're under no obligation to take the loan.
- Apply as soon as you can. Demand will likely be high and there are approximately 30M small businesses in the US.
- There is not an estimated turnaround time on receiving the monies as of this writing.

**More info:**

[www.sba.gov/coronavirus](http://www.sba.gov/coronavirus)  
[SBA COVID-19 EIDL application](#)

**PAYCHECK PROTECTION PROGRAM LOAN GUARANTEE loans**

The U.S. Small Business Administration (SBA) is backing small business loans through local lenders. They currently work with around 1,800 lenders but this number is expected to increase due to anticipated demand.

**Qualifications:**

- Must be in operation before February 15, 2020
- Owner must personally certify the company qualifies as a small business (check [NAICS small business standards](#))
- Small business with fewer than 500 employees, select types of business with fewer than 1,500 employees, 501(c)(3) non-profits with fewer than 500 workers, some 501(c)(19) veteran organizations, self-employed, sole proprietors, freelance and gig economy workers
- Loans available up to the lesser of \$10M or up to 2.5 times the average monthly payroll costs (including wages for employees making under \$100,000, as well as expenses for paid sick leave, healthcare and other benefits) during the 1-year period before the date on which the loan was made.
- No personal guarantee or collateral required
- Part of loan may be forgiven and not counted as income to you if it's spent during the first eight weeks on operating expenses
- Loans are forgiven when proceeds are used for:
  - Payroll costs (excluding prorated amounts for individuals with compensation greater than \$100K)
  - Rent pursuant to a lease in force before February 15, 2020
  - Electricity, gas water, transportation, telephone, or internet access expenses for services which began before February 15, 2020
  - Group health insurance premiums and other healthcare costs

**Warning on forgiveness 😊:**

- For the amount to be forgiven, you must maintain the same average number of employees for the first eight-week period beginning on the origination date of the loan as you did from February 15, 2019 - June 30, 2019 or from January 1, 2020 until February 15, 2020.
- Forgiveness reduced:
  - If you don't meet the same average number of employees (above)
  - If you cut compensation for employees who make under \$100,000 by more than 25%, as compared to the most recent quarter.

- An exception to the exception: you won't be penalized for a reduction in employment or wages during the period from February 15, 2020 to April 26, 2020, if you rehire employees that you previously laid off or restore any decreases in wages or salaries by June 30, 2020.

**Terms:**

- No loan fees, guarantee fees, or prepayment fees.
- Up to 10 years
- Maximum 4.00%
- Payments deferred up to 6 – 12 months

**How to apply:**

- Apply for these loans directly through your local lending institution

**Timing:**

- Apply now (even if you might not need it). You're under no obligation to take the loan.
- Apply as soon as you can. Demand will likely be high and SBA is working on guidance to send to local lending institutions

**More info:**

- [www.sba.gov/coronavirus](http://www.sba.gov/coronavirus)
- [Chamber of Commerce checklist](#)