



# The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”)

The CARES Act, as passed by the Senate on March 25, 2020, proposes to expand the Small Business Act by (i) creating a Paycheck Protection Program within the Section 7(a) loan program, and (ii) revising the existing Economic Injury Disaster Loan (“EIDL”) Program in connection with COVID-19. The following is a quick guide to the existing EIDL program, as amended by the CARES Act, and the Paycheck Protection Program. The attorneys at Moye White are available to assist with any questions you may have.

ISSUE	Economic Injury Disaster Loan	Paycheck Protection Loan
<i>Who Qualifies</i>	Small businesses/non-profit organizations that are located in a state/county declared an economic disaster area as a result of the virus (which includes all U.S. states and territories as of now), and have experienced economic damage to its business as a result of COVID-19.	Any business concern, nonprofit organization (501(c)(3)) or veterans organization with fewer than 500 employees.
<i>Covered Period for the Loans</i>	Beginning on January 31, 2020 and ending on December 31, 2020.	Beginning on February 15, 2020 and ending on June 30, 2020.
<i>Limited to Small Business Concerns?</i>	No, only limitation is fewer than 500 employees.	Note, for a business that is classified under a NAICS code beginning with 72 (Accommodation and Food Services), the 500-employee limitation is per location, not in total for all locations.
<i>Loan Amount</i>	Up to \$2 million.	The lesser of (i) \$10 million and (ii) 2.5 times the average amount of payroll costs <sup>1</sup> incurred over the one year period before the date the loan is made, subject to certain exclusions.
<i>Interest Rate</i>	3.75% for small businesses; 2.75% for non-profits.	Maximum of 4.00%
<i>Maturity Date</i>	Up to 30 years.	Estimate 5 to 7 years, with a maximum of 10 years.

(Cont'd)

<sup>1</sup> Payroll Costs means: the sum of the following payments of any compensation with respect to employees that is a: salary or wage; payment of cash tip or equivalent; payment for vacation, parental, family, medical, or sick leave; allowance for dismissal or separation; payment required for the provisions of group health care benefits, including insurance premiums; payment of any retirement benefit; or payment of State or local tax assessed on the compensation of employees, and the sum of payments of any compensation to a sole proprietor or independent contractor that is a wage, commission, or similar compensation and that is in an amount that is not more than \$100,000 in 1 year, as prorated for the covered period.

ISSUE	Economic Injury Disaster Loan	Paycheck Protection Loan
<i>What Can Loans Be Used For?</i>	Fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster's impact.	Payroll costs, costs related to continuation of group health care benefits, employee salaries, mortgage and rent payments, utilities, and interest on other debt incurred before February 15, 2020.
<i>Are You Required to Pledge Collateral?</i>	Yes, for loans over \$25,000.	No.
<i>Are Personal Guarantees Required?</i>	Yes, for loans over \$200,000.	No.
<i>Who Provides the Loan?</i>	The SBA.	Third party lenders.
<i>Are Loans Available if You Have Access to Other Financing?</i>	Yes, you can borrow under this program even if you have access to credit from other sources.	Yes, you can borrow under this program even if you have access to credit from other sources. Generally speaking, you may not borrow under both the paycheck protection program and the EIDL program (the exception being you can still borrow under the paycheck protection program if you previously borrowed under the EIDL program for a purpose other than the specified uses of proceeds for the paycheck protection program).
<i>Other Considerations and Restrictions</i>	Applicants may be approved based solely on credit score.	Borrower must provide a certification that the funds will be used to retain workers and maintain payroll or make mortgage, lease and utility payments.
<i>Loan Forgiveness</i>	Up to \$10,000 will be available in the form of a grant that does not require repayment if used to provide paid sick leave to employees, maintain payroll to retain employees, meet increased costs as a result of interrupted supply chains, make rent or mortgage payments, or repay obligations that cannot be met due to revenue losses.	<p>The program offers loan forgiveness in an amount equal to the sum of payroll costs, mortgage interest payments, rent payments and utility payments made within 8 weeks from when the loan is made (and the amount of such loan forgiveness will not be considered gross income of the borrower from a tax perspective). The amount of loan forgiveness will be reduced if the Borrower reduces its full-time equivalent employees over the 8-week period after receipt of the loan, or if it reduces salary or wages of any employee who makes less than \$100,000 annually by more than 25%.</p> <p>The amount of loan forgiveness will also be reduced by any grant amount received under the EIDL program.</p>
<i>How To Apply</i>	Apply on-line at this <a href="#">website</a> .	The easiest way to apply is to contact your bank directly. Most large and regional banks provide SBA loans. Businesses can also use the SBA's Lender Match tool at this <a href="#">website</a> .