



U.S. Small Business
Administration

CARES Act

- **CARES Act**

- Relief for small businesses and their employees who are adversely affected by the outreach of COVID-19.
- Establishes PPP loan program – keep employees paid during downturn
- Includes **\$349B** for PPP.
- Includes **\$10B** for EIDL Advances
- Includes **\$17B** for Subsidy Payments

- **CARES Act Amendment:**

- **\$310B** additional for PPP
 - \$30B set aside for community financial institutions (less than \$10B in assets)
 - \$30B set aside for community financial institutions (between \$10-50B in assets)
- **\$50B** for EIDL
- **\$10B** Emergency EIDL Advances
- **Makes agricultural enterprises** eligible for EIDL

Governing Rules

Statute

- **CARES Act – March 27, 2020** (modifies 15 U.S.C. § 636)
<https://www.congress.gov/bill/116th-congress/senate-bill/3548/text?q=product+actualizaci%C3%B3n>
 - 1101 – Definitions
 - 1102 – **Paycheck Protection Program**
 - 1106 – **Loan Forgiveness**
 - 1110 – **Emergency EIDL Grants**
 - 1112 – **Subsidy for Certain Loan Payments**
- **Amendment – April 24, 2020**

SBA COVID-19 PROGRAMS

- **Paycheck Protection Program (PPP)**
- **Economic Injury Disaster Loan (EIDL)**
 - EIDL Grants
- **Subsidy Payments for Existing Loans**
- **Regular Loan Programs**
 - 7(a)
 - 504
- **Entrepreneurial Assistance**
 - Small Business Development Centers (SBDCs)
 - Women's Business Centers (WBCs)

PPP Rules

Regulations

- **Interim Final Rules** (modify 13 C.F.R. Parts 120 and 121)

<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

1. Paycheck Protection Program
2. Affiliation
3. Additional Eligibility
4. Promissory Notes, Affiliation, Eligibility
5. Seasonal Employees
6. Disbursements
7. Corporate Groups
8. Non-discrimination and Additional Eligibility
9. Extension of Limited Safe Harbor
10. Loan Increases

PPP Rules

Other Guidelines

- **Frequently Asked Questions (FAQs)**
 - Treasury Website
 - 47 Questions and Answers as of 5/13
- **Procedural Notices**
- **Calculating Maximum Loan Amounts (4/24/20)**
- **Loan Forgiveness Application (5/18/20)**

PPP

- **Funding through SBA Participant Lenders**
- **Guarantee Amount:** 100% guarantee
- **Use of Loan Proceeds:**
 - Payroll costs
 - Salary, wages \leq 100K, commissions
 - Vacation, sick leave, severance, health care benefits, retirement benefits
 - Special rules for self-employed, LLCs, partnerships, agricultural
 - Mortgage interest payments
 - Rent/Utilities
 - Interest on pre-existing debt
 - Refinance of EIDL loan

PPP

- **Eligible Entities:**

- **Small businesses**

- Agricultural Businesses: Ranchers/Farmers

- **Tribal businesses**

- **Nonprofits [501(c)(3)] and veteran organizations [501(c)(19)]**

- Religious Institutions
- Certain nonprofit hospitals
- Electrical Coops

- **Sole proprietors, independent contractors, self-employed individuals**

- Applicant must be in operation on or before February 15, 2020

PPP

- **Size Standards:**

- **Business may use one of the following three size standards:**
 - (1) 500 employees;
 - (2) the applicant's actual NAICS code standard; or
 - (3) SBA's alternative size standard (<\$15M net worth and <\$5M annual revenue).
 - The number of employees includes FT, PT, and other. Doesn't include independent contractors
- **Affiliation rules waived for businesses with multiple locations**, < 500 employees per location, and a NAICS codes starting with 72 (Accommodations and Food Services)
 - Includes hotels and restaurants
- **Affiliation Rules waived for franchises** listed in SBA's franchise directory

PPP

- **Ineligible Entities:**

- Small business types such as:
 - Financial businesses primarily engaged in lending
 - Passive businesses owned by developers/landlords
 - Life insurance companies
 - Pyramid sale distribution plans
 - Private clubs
- Small businesses engaged in illegal activity
- Small businesses whose 20%+ owners have legal issues
- Small businesses or owners that have currently defaulted federal loans or have caused prior loss to federal government

PPP

- **Loan Terms:**

- **Amount** – Up to \$10 million
- Based on formula, not projections
 - Equal to the lesser of:
 - 2.5 x the applicant's average monthly payroll costs over the last 12 months + the outstanding amounts on any EIDL loan obtained after January 20, 2020; or
 - If in business less than a year, use monthly average of payroll costs for January and February 2020
- **Maturity** – 2 years
- **Interest rate** – 1%
- **Complete payment deferment** – for first 6 months

- **Waivers:**

- Waives both guarantee fee and annual lender fee
- Waives credit elsewhere requirement
- Waives collateral and personal guarantee requirements
- Waives prepayment penalties

PPP

- **Forgiveness:**

- **After 8-week period from initial loan disbursement or first payroll date thereafter**, borrower may request forgiveness of actual amounts spent on payroll costs, mortgage interest, rent, and utilities
- **Borrower must submit Loan Forgiveness Application and supporting documentation** – payroll tax filings, state filings, verification of mortgage and utility payments, along with a certification from its representative.
- **Payroll costs must account for at least 75% of the requested forgiveness amount**
- **Other considerations**
 - If the business reduces its number or compensation of employees during the 8-week period, the amount of forgiveness will be reduced
 - Employers that restore their employment numbers and salaries by June 30, 2020 would experience no reduction in forgiveness
 - Employers can require employees to return to the payroll rather than stay unemployed and collect unemployment insurance

PPP Numbers

as of 5/8/20

Round 1:

- Number of approved loans: 1.7 million
- \$ volume of approved loans: \$342.3 billion
- Number of lenders: 4,975

Round 2:

- Number of approved loans: 2.6 million
- \$ volume of approved loans: \$188.9 billion
- Number of lenders: 5,463

National Total:

- Number of approved loans: 4.3 million
- \$ volume of approved loans: \$531.2 billion

Utah Total:

- Number of approved loans: 47,046
- \$ volume of approved loans: \$5.3 billion

Economic Injury Disaster Loans

EIDL: These are direct loans made by SBA (not through private lenders)

- **Eligibility:**

- Small businesses – must meet SBA size standards (revenue or 500 employees or less)
- Private non-profit organizations and small agricultural coops
- Physically located in declared disaster area
- Have suffered, or likely to suffer, substantial economic injury
- No credit elsewhere (*businesses show there is no credit elsewhere*)
- Independently owned and operated

- **Loan Terms:**

- **Amount** – Up to \$2 million
- **Interest rate** – 3.75% for small businesses, 2.75% for nonprofits
- **Maturity** – up to 30 years. Determined on a case-by-case basis, based upon each borrower's ability to repay
- **Complete payment deferment** – for first year

Economic Injury Disaster Loans

EIDL: These are direct loans made by SBA (not through private lenders)

- **Use of Proceeds:**

- Pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact.
- May not be used to refinance long-term debt. The loans are not intended to replace lost sales or profits or for expansion.

- **Loan Requirements:**

- No credit elsewhere (*businesses show there is no credit elsewhere*)
- Acceptable credit history
- Repayment ability
- All loans over \$25,000 must be secured with available collateral.

Emergency EIDL Grants

Emergency EIDL Grants

- **Grant amount:** Up to \$10K (\$1K per employee)
- **Covered period:** 1/31/20 – 12/31/20
- **Issued:** within 3 days of application (standard)
- **EIDL Grant -- EIDL Loan:**
 - Emergency grant amount will be subtracted from your EIDL amount
- **SBA EIDL Application Web Portal:**
 - Incorporates EIDL grants
 - [Covid19relief.sba.gov/#/](https://www.covid19relief.sba.gov/#/)

Subsidy Payments

- **SBA will pay all principal, interest, and fees** on existing SBA loans for 6 months
- **Payments will start after deferral ends**, if a loan is on deferral
- **No subsidy** for PPP loans

Entrepreneurial Assistance

- **Small Business Development Centers (SBDCs)**

- Partnership between SBA & Higher Education
- 14 locations around the state
- Free counseling
- Free and low-cost training

- **Women's Business Centers (WBCs)**

- Partnership between SBA & SL Chamber
- Locations in Salt Lake and Cedar City
- Free counseling
- Free and low-cost training



Contacts

Utah District Office:

- 801-524-3209
- Utahgeneral@sba.gov

Office of Disaster Assistance:

- Sba.gov/disaster
- disastercustomerservice@sba.gov
- Call: 1-800-659-2955

Rapid Response Team:

- coronavirus.utah.gov/Business

Websites:

- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>
- <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>