



Loan Provisions of the CARE Act

Paycheck Protection Program (PPP)

- Small businesses with less than 500 employees are eligible, this includes non-profit organizations, and sole-proprietors /self-employed individuals
- Can be used for payroll (salaries, payroll taxes, and benefits), mortgage payments, rent and utility payments
- Borrower and lender fees are waived
- Collateral and personal guarantee requirements are waived
- Maximum interest rate is 4%, with a loan term up to 10 years for amounts not forgiven
- No prepayment penalty
- Loan repayment is deferred for six months, up to one year
- Loans will be provided through approved SBA lenders
- Maximum loan amount is computed as follows (with a cap of \$10 million):
 - 2.5 times the average total monthly payroll costs incurred in the one-year period before the loan is made
 - 2.5 times the average total monthly payroll costs incurred for the 12 weeks beginning on February 15, 2019, or from March 1, 2019 to June 30, 2019 for seasonal employers
 - 2.5 times the average total monthly payroll costs from January 1, 2020 to February 29, 2020, for businesses not in existence during the February 15, 2019 – June 30, 2019 period
 - EIDL loans (discussed below) taken out between February 1, 2020 – June 30, 2020 can be refinanced into a PPP loan and is in addition to the above amounts
- Provides potential loan forgiveness equal to the amount spent during the eight-week period after the loan origination date on the following:
 - Payroll costs (does not include an individual employee's compensation above \$100,000, prorated)
 - Interest payments on previously existing mortgages (prior to 2/15/20)
 - Rent and utility payments
- The amount forgiven is reduced by reductions in employees and employee pay greater than 25% of the prior year compensation. Re-hiring previously laid off employees will help minimize the reduction for having a reduced payroll at the beginning of the period.
- Documentation will be required to be provided to lender to support the amount of the loan forgiveness
- Loan amounts forgiven will not be considered taxable income
- Available through June 30, 2020

Economic Injury Disaster Loan (EIDL)

- Eligibility similar to PPP loan, but must be able to show ability to repay all loans
- No personal guarantee required on loans below \$200,000
- Loans up to \$2 million, limited to amount based on 'economic injury', which will be determined by SBA
- Maximum interest rate is 3.75%, generally amortized over 30 years
- Can get an EIDL in addition to a PPP, just cannot use for the same expenses
- Available through December 31, 2020
- Allows an eligible entity who has applied for an EIDL, due to COVID-19, to request an advance on the loan, up to \$10,000, that the SBA must distribute within 3 days
- Establishes an Emergency Grant, under which the applicant is not required to repay \$10,000 advance payment, even if their EIDL is subsequently denied
- EIDL loans taken out between February 1, 2020 – June 30, 2020 can be refinanced into a PPP loan
- Applications can be done direct with the SBA on their website
- Express applications (with limited information requirements) can be made for loans up to \$1,000,000
- Full applications for loans between \$1000,000 and \$2,000,000 require more documentation and paperwork