



**March 28, 2020**

The Coronavirus Aid, Relief and Economic Security Act, also known as the CARES Act, provides emergency assistance and healthcare response for individuals, families and businesses affected by the COVID-19 pandemic.

Division A of CARES details the Small Business Interruption Loans available. The following are the key elements:

- 1. Who Qualifies** - Organizations which employ not more than 500 employees are eligible to receive a loan under section 7(a) of the Small Business Act. The organization was in operation on March 1, 2020 and had employees for whom the organization paid salaries and payroll taxes.
- 2. Maximum Loan Amount** – The maximum loan amount shall be the lesser of:
  - a.** The product obtained by multiplying –
    - i.** Average monthly payments for payroll, mortgage payments, rent payments, and payments on any other debt obligations incurred during the 1-year period before the date on which the loan is made by
    - ii.** 4; or
  - b.** \$10,000,000
- 3. Allowable Uses** – A recipient of a loan under Section 7(a) may use the proceeds of the loan for:
  - a.** Payroll support – including paid sick, medical, or family leave, costs related to group health care benefits during the periods of leave;
  - b.** Employees' salaries;
  - c.** Mortgage payments;
  - d.** Rent;
  - e.** Utilities; and
  - f.** Any other debt obligations that were incurred before the covered period.
- 4. Loan Forgiveness** – An eligible organization shall be eligible for forgiveness of indebtedness on a covered 7(a) loan in an amount equal to the cost of maintaining payroll continuity during the covered period. Covered period means the period from March 1, 2020 and June 30, 2020.
  - a.** The amount of loan forgiveness shall not exceed the sum of –
    - i.** Total payroll costs incurred by the organization during the covered period; and
    - ii.** The amount of payments made during the covered period on debt obligations that were incurred before the covered period.
  - b.** Reduction based on reduction in number of employees – the amount of loan forgiveness shall be reduced by the percentage equal to the difference obtained by subtracting:

- i. The quotient obtained by dividing:
  - 1. The average number of full-time equivalent employees per month employed by the organization during the covered period; by
  - 2. The average number of full-time equivalent employees per month employed by the organization during the period beginning on March 1, 2019 and ending on June 30, 2019.
- c. The amount of loan forgiveness shall also be reduced by the amount of any reduction in excess of 25 percent of compensation in the most recent full quarter in which the employee was paid in compensation during the covered period.
- d. An organization seeking loan forgiveness shall submit to the lender that originated the covered loan 7(a) loan an application, which shall include documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods described above, including:
  - i. Payroll tax filings reported to the I.R.S.
  - ii. State income, payroll, and unemployment insurance filings;
  - iii. Financial statements verifying payment on debt obligations incurred before the covered period; and
  - iv. Any other documentation deemed necessary by Small Business Administration
- e. An organization receiving loan forgiveness shall make a good faith certification that the uncertainty of current economic conditions justifies the loan request to support the ongoing operations of the borrower and acknowledges that the funds will be used to retain workers and maintain payroll.
- f. Cancelled indebtedness shall be excluded from gross income for purposes.
- 5. **Loan Term** – For any amounts not forgiven, the maximum term is 10 yrs.
- 6. **Interest rate and fees** – The maximum interest rate is 4%, zero loan fee and zero prepayment fee. SBA will establish application fees caps for lenders that charge.
- 7. **Deferment** – Principal and interest will be deferred, for a total of 6 months up to a year after the disbursement of the loan.

For more information regarding the CARES Act HB 748, please feel free to contact the following team members as we are currently working remotely.

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