Quick Overview to the 2020 CARES Act

**SBA Economic Injury Disaster Loans (EIDL):**

You apply for these loans directly through the SBA at [www.SBA.gov/disaster](http://www.SBA.gov/disaster). There are no loan fees, guarantee fees or prepayment fees.

- Loans are up to $2M
- The term is 30 years
- Interest Rates are 3.75% for small business and (2.75% for non-profits)
- The first month’s payments are deferred a full year from the date of the promissory note.

The EIDLs expanded provisions include:

- EIDLS can be approved by the SBA based solely on an applicant’s credit score (not repayment ability and no tax return is required). Mr. Contreras specified that a prior bankruptcy doesn’t disqualify you.

- EIDLs smaller than $200,000 can be approved without a personal guarantee. They are also not requiring real estate as collateral and will take a general security interest in business property.

- Borrowers can receive $10,000 in an emergency grant cash advance that can be forgiven if spent on paid leave, maintaining payroll, increased costs due to supply chain disruption, mortgage or lease payments or repaying obligations that cannot be met due to revenue loss. Because lending decisions are based on self-certification and the applicant’s credit score, the review process should go quickly. CARES also waives the requirement that you be unable to obtain credit elsewhere. That means you can apply even if you already have a credit line.

- It expands access to sole proprietors or independent contractors, as well as tribal businesses, cooperatives, and ESOPs with fewer than 500 employees and all non-profits including 501(c)(6)s.

- You have to have been in business by January 31, 2020 to qualify, so you can’t start a business now and receive this kind of grant.

**Paycheck Protection Program Loan Guarantee**

The CARES Act’s Paycheck Protection Program Loan Guarantee offers another source of help. Under this program, the SBA backs small-business loans through local lenders. For the Paycheck Protection Loan directly through your local lending institution. As a business owner, you must personally certify
that your company qualifies as a small business (you can check the North American Industry Classification System (NAICS) small business standards here)

Here are the particulars of this loan program:

- Offered to small businesses 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 and some 501(C)(19) veteran organization (have to be in operation before February 15, 2020)

- Self-employed, sole proprietors, freelance and gig economy workers are also eligible to apply

- Loans are given up to a maximum of the lesser of $10 million, or 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.

- The maximum interest rate under this program is 4%

- The loan term is up to 10 years

- No personal guarantee or collateral is required for the loan

- Payments are deferred up to six to 12 months

- Part of this loan may be forgiven and not counted as income to you, if it’s spent during the first eight weeks on operating expenses.

- Cannabis companies, won’t qualify, as their business is still illegal on the federal level, despite being legal in 11 other states and DC. If that applies to you, you’ll have to find other funding.

Loans are forgiven when the proceeds are used for any of these costs:

- Payroll costs, excluding prorated amounts for individuals with compensation greater than $100,000

- 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.
In order for the amounts to be forgiven, you must maintain the same number of employees from February 15, 2020 through June 30, 2020, as you did during either the same period in 2019 (2.15.20 – 6.30.19) or from January 1, 2020 until February 15, 2020. If you don't meet this requirement, the amount forgiven is reduced. You incur additional reductions if you cut compensation for employees who make under $100,000 by more than 25%, as compared to the most recent quarter. (The US Chamber of Commerce offers a step-by-step calculation here).

**Exception:** If you rehire employee that you previously laid off, or restore any decreases in wages or salaries that were made before the period began (2.15.20) by June 30, 2020 you will not be penalized for having had a reduction in employees or wages.