



CARES ACT – SMALL BUSINESS SUMMARY

American small businesses are facing an unprecedented economic disruption due to the novel coronavirus (COVID-19) outbreak, with reports of small businesses experiencing major difficulties. Due to the nature of this economic disruption, the existing disaster recovery programs for small businesses are insufficient. The CARES Act represents more than \$376 billion in relief for struggling small businesses, which falls into two main buckets: Access to Capital and Small Business Support.

Access to Capital

- \$349 billion for forgivable loans to small businesses to pay employees and keep them on the payroll.
 - These loans are open to most businesses under 500 employees, non-profits, the self-employed, startups, and cooperatives.
- \$17 billion for debt relief for current and new SBA borrowers. SBA will pay the principal and interest for the next 6-months on SBA-backed loans.
 - Today, that would help 320,000 small businesses and any new borrowers in the 7(a) or 504 programs.
- \$10 billion in immediate disaster grants. Using the current economic injury disaster loan program, SBA can provide up to \$10,000 to applicants within 3 days of applicants self-certifying they are eligible.

Small Business Support

- Requires the SBA to provide additional language resources to ensure small business owners can access the resources they need as easily as possible.
- Additional resources for the Small Business Development Centers, Women's Business Centers, and Minority Business Development Agency to provide training and counseling to businesses impacted by Coronavirus.
 - If you have not worked with one of these entities previously, I encourage you to check out ways they may assist you.
- A waiver of the WBC matching requirement to alleviate the need to fundraise during the emergency.
- Increased resources for the SBA so it can staff up and administer these new and enhanced programs.
- Finally, this will increase the number of small businesses that qualify for streamlined bankruptcy process, by nearly tripling the debt cap to \$7.5 million to help American small businesses that will need to reorganize due to the COVID-19 pandemic.

Paycheck Protection Program

The bill establishes a new guaranteed loan program at SBA for small businesses to cover payroll during the immediate crisis. The Paycheck Protection Program would:

- support \$349 billion in 100 percent guaranteed, low interest, no fee loans of up to \$10 million with repayment deferred for at least six months; and
- forgive up to 100% of the loan if the borrower has retained the same number of employees as when they received the loan.

Who is eligible?

Small and Medium sized businesses up to 500 employees, non-profits, independent contractors and the self-employed. This includes churches but only to cover payroll costs of an associated business, like a thrift store.

What about franchises and hotels?

The program temporarily waives SBA “affiliation rules” to allow businesses with multiple locations the normally are not considered small, to qualify. This is especially important for our restaurant and lodging sector. They are still limited to the same maximum loan size - \$10 million - as a business with one location.

How are loans made?

The SBA’s network of 2,500 7(a) lenders will be used to process these loans. There is also authority to fast track additional lenders to process and disburse these loans to reach as many small businesses as quickly as possible.

Are these grants?

Yes and No. The amount of the loan forgiven at the end of the year will be determined by how many employees were retained on the company’s payroll, up to 100 percent for full retention. There are safeguards built in to protect against employers gaming the program, as well as recognizing some employers will be forced to do temporary furloughs but bring their employees back on.

What is covered?

This bill allows firms to get a loan to cover up to 2.5 months of payroll and any new EIDL loan balances incurred because of Coronavirus but cannot exceed \$10 million.

How long does the program last?

The program is open until June 30, 2020, as it is intended for immediate payroll relief to ensure businesses do not do mass layoffs during this crisis.

Women’s Business Center Matching Waiver

The bill waives the requirement that WBC’s meet their 1:1 private match to SBA provided funding. This will help alleviate the need to fundraise during the Coronavirus crisis and allow them to continue receiving federal funding to help small businesses.

Minority Business Development Agency

The bill provides \$10 million for the Minority Business Development Agency grants to train and counsel minority-owned firms impacted by Coronavirus.

Loan Forgiveness

The bill lays out the process by which borrowers will be forgiven on loans taken out under the paycheck protection act:

- The amount of the loan forgiven at the end of the covered period will be determined by how many employees were retained on the company's payroll.
- There are safeguards built in to protect against employers gaming the program, and well as recognizing some employers will be forced to do temporary furloughs but bring their employees back on.
- Allows forgiveness for additional wages paid to tipped workers.
- Forgiven amounts will not be considered income for tax purposes.
- Any amounts not forgiven will be covered in the ongoing loan for a term of 10 years, not to exceed 4% interest with the 100% guarantee.

6-months of Principal and Interest Relief

Small businesses in industries heavily impacted by coronavirus—such as travel, tourism, and hospitality—are experiencing dramatic cash flow problems. The government is ultimately responsible for guarantees on these loans and has a vested interest in averting mass defaults.

To provide immediate relief to small businesses with SBA-backed loans, the bill would:

- provide small businesses with relief from SBA loan payments, including principal, interest, and fees, for six months;
- encourage banks to provide further relief to small business borrowers by enabling them to extend the duration of current loans beyond existing limits; and
- This will provide \$17 billion in relief to SBA borrowers.

State Trade Expansion Program (STEP) Support

The State Trade Expansion Program (STEP) provides matching funds to states and territories to provide opportunities for small businesses to participate in trade missions, international marketing efforts, workshops, export trade show exhibits, and other promotional activities.

The bill would:

- reimburse States for financial losses resulting from the cancellation of foreign trade missions or trade show exhibition due to COVID-19;
- allow States to use unspent funds from FY 2018 and FY 2019 to cover losses due to COVID-19 outbreak through FY 2021.

Emergency Economic Injury Grants

The bill creates a new \$10 billion grant program, leveraging SBA's Office of Disaster Assistance infrastructure, to provide small businesses with quick, much needed capital.

Small businesses, cooperative, ESOPS, private non-profits, independent contractors and the self-employed would be eligible to receive up to \$10,000 to cover immediate payroll, mortgage, rent, and other operating expenses while they wait for additional relief to be processed.

Who is eligible?

Independent contractors, the self-employed, private non-profits, and small businesses and medium sized businesses with up to 500 employees, including startups, cooperatives, and ESOPs.

What is a private non-profit?

Private non-profits include churches and private universities.

Churches are eligible?

Yes, but limited to business activities. The SBA will make the final determination which activities, like running a thrift shop, are eligible for a grant.

How quickly will grants be made?

The legislation requires SBA to disburse within 3 days of verifying the business's eligibility.

Are grant recipients eligible for other SBA programs?

Yes, businesses remain eligible for the paycheck protection program, disaster loans, and regular SBA-back loans.

Increasing Access to SBA Through Multiple Language Support

Immigrant-owned small businesses are an essential part of our economy. In 2018, more than 3.1 million immigrants launched small businesses, employing more than 8 million people, generating more than \$1.3 trillion in sales, and paying more than \$4 billion in taxes.

- The bill would authorize \$25 million for small business resource material and services in the ten most commonly spoken languages.

Why is this needed?

Millions of impacted small business owners do not speak English as a first language but are eligible for SBA's lending and ED program. It is vital they can get the support they are entitled to as easily as possible through language support at SBA.

As always, the team in my offices is here to help you. Please reach out any time with questions you may have, and we will do our best to answer them. In the very least, we can help identify whom is best for you to contact to address your particular issue.