



What the CARES Act Means for Small Businesses

The CARES Act amends and adds the Keeping Americans Paid and Employed Act to the existing Small Business Act. CARES extends previous aid to include formerly ineligible entities (including gig economy workers and the self-employed), emergency grants, debt relief measures, and loan forgiveness for those affected by the COVID-19 pandemic including:

- **\$349 billion for loan guarantees,**
- **\$675 million for Small Business Administration salaries and expenses,**
- **\$25 million for the Office of Inspector General,**
- **\$240 million for small business development centers and women's business centers for technical assistance for businesses**
- **\$25 million for resource partner associations to provide online information and training (available in 10+ languages)**
- **\$10 million for minority business centers for technical assistance for businesses**
- **\$10 billion for emergency Economic Injury Disaster Loan (EIDL) grants**
- **\$17 billion for loan subsidies**
- **\$25 million for Department of Treasury salaries and expenses**
- **\$100 billion for secondary market guarantee sales**

For Michigan-specific resources and Q&A's, the Small Business Association of Michigan has established a [Resource Page](#). SABM also provides a [CARES Act Webinar](#), complete with small business examples.

***The Small Business Administration is required to enact these programs with regulations no later than 15 days after the Act is signed into law. ***

The Paycheck Protection Program

The CARES Act provides the authority for the Administrator of the U.S. Small Business Administration (SBA) to make loan guarantees for up to \$349 billion in loan commitments under the SBA's 7(a) program through December 31st, 2020. The Act also broadens the list of eligible recipients for the covered loan period (February 15, 2020 to June 30, 2020). The Paycheck Protection Program provides 8 weeks of cash-flow assistance through 100 percent federally guaranteed loans to small employers who maintain their payroll through this period.

Who is eligible?

- Any business concern operational on February 15, 2020, that employs no more than (1) 500 employees or (2) the size standard in number of employees established by the SBA for the industry in which the business concern operates.
- The CARES Act further expands eligible parties to include nonprofit organizations, businesses with more than one location, sole-proprietors, independent contractors, and other self-employed individuals as eligible for loans, and waives previous affiliation rules for:
 - businesses in the hospitality and restaurant industries
 - franchises that are approved on the SBA's Franchise Directory
 - small businesses that receive financing through the Small Business Investment Company (SBIC) program
- A business concern that meets the requirements above must also maintain



an average monthly number of employees during the covered period that is no less than the number it had before the crisis began.

- Borrowers must also make a good faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19, that they will use the funds to retain workers and maintain payroll, lease, and utility payments, and that they are not receiving duplicative funds for the same uses from another SBA program.

The Act recommends that the SBA issue guidance to lenders to prioritize small business concerns and entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, and women and businesses in operation for less than 2 years. To make funds more accessible, the Act includes the waiver of (1) borrower and lender fees for participation in the PPP (2) the credit elsewhere test for funds provided, and (3) collateral and personal guarantee requirements under this program. It also sets a maximum interest rate of four percent, and ensures borrowers are not charged any prepayment fees.

How much can I receive?

- An eligible recipient may receive one covered loan to be used for covering eligible payroll costs, including salaries or similar forms of compensation (for employees making under \$100,000 a year); rent and utilities; continuation of group health care benefits; various forms of paid leave; and interest on

mortgage obligations and other outstanding debt.

- The amount awarded is based on the average total monthly payments by the applicant for payroll costs incurred during the one-year period before the date the loan is made, multiplied by 2.5, up to a limit of \$10 million.

What else has changed?

- The Act increases the maximum loan for a SBA Express loan from \$350,000 to \$1 million through December 31, 2020, after which point the Express loan will have a maximum of \$350,000
 - Veteran's fee waivers for the Express loan program are also permanently waived.
- The Act increases the government guarantee of 7(a) loans to 100 percent through December 31, 2020, at which point guarantee percentages will return to 75 percent for loans exceeding \$150,000 and 85 percent for loans equal to or less than \$150,000.
- Complete deferment of 7(a) loan payments is allowed for at least six months
 - Limited up to a year
 - SBA must disseminate guidance to lenders on this deferment process within 30 days

Loan Forgiveness

The loan forgiveness portion of the Act establishes that the borrower shall be eligible for loan forgiveness equal to the amount spent during an 8-week period after the origination date of the loan on eligible payroll costs.

- This includes an allowance for additional wages paid to tipped workers

- The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation.
 - To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period
- Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with terms of a max of 10 years, at max 4% interest. The 100% loan guarantee remains intact.
 - Repayment is not required, even if subsequently denied for the loan
- Eligibility for access to EIDLs is expanded to include Tribal businesses, cooperatives, and ESOPs with fewer than 500 employees or any individual operating as a sole proprietor or an independent contractor
- Private non-profits are also eligible for both grants and EIDLs.
- The SBA shall waive any personal guarantee on advances and loans below \$200,000, the requirement that an applicant needs to have been in business for the 1-year period before the disaster, and the credit elsewhere requirement.
- SBA may approve and offer EIDL loans based solely on an applicant's credit score, or use an alternative appropriate alternative method for determining applicant's ability to repay.

Emergency Loans and Grants

The Economic Injury Disaster Loan (EIDL) program provides small businesses with working capital loans of up to \$2 million. Small business entities are currently eligible to apply for an EIDL loan due to COVID-19. The CARES Act expands eligibility for emergency EIDLs, establishes an Emergency Grant, and waives several prior requirements for the covered period (January 31, 2020 to December 31, 2020):

- The Act establishes an Emergency Grant to allow an eligible entity who has applied for an EIDL loan due to COVID-19 to request an advance on that loan (up to \$10,000).
 - advance payment may be used for providing paid sick leave to employees, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses

Entrepreneurial Development

The CARES Act also includes numerous changes for maintaining entrepreneurial development.

- The Act Authorizes SBA to provide grants to establish:
 - an online platform that consolidates resources and information available across multiple Federal agencies for small business concerns related to COVID-19, and a training program to educate Small Business Development Center, Women's Business Center, Service Corps of Retired Executives, and Veteran's Business
 - Outreach Center counselors on the various federal resources available to ensure counselors



are directing small businesses appropriately.

- A Waiver of Matching Funds Requirement under the Women's Business Center Program eliminates the non-federal match requirement for Women's Business Centers (WBC) for a period of three months.
 - Authorizes \$10 million for the Minority Business Development Agency within the Department of Commerce to provide grants to Minority Business Centers and Minority Chambers of Commerce for the purpose of providing counseling, training, and education on federal resources and business response to COVID-19 for small businesses.
 - Eliminates the Minority Business Center program's non-federal match requirement for a period of three months and allows for centers to waive fee-for-service requirements through September 2021
- Loans that are already on deferment will receive six months of payment by the SBA beginning with the first payment after the deferral period.
 - Loans made up until six months after enactment will also receive a full 6 months of loan payments by the SBA.
- SBA must make payments no later than 30 days after the date on which the first payment is due. Requires the SBA to still make payments even if the loan was sold on the secondary market.
 - Requires SBA to encourage lenders to provide deferments and allows lenders, up until one year after enactment, to extend the maturity of SBA loans in deferment beyond existing statutory limits.

State Trade Expansion Program

State Trade Expansion Program grant funds for 2018 and 2019 shall remain available for use through fiscal year 2021. Events cancelled due to COVID-19 are eligible for reimbursement so long as they do not exceed the grant.

Existing Loan Payments

The Act includes \$17 billion to assist with existing loan payments for an existing 7(a), Community Advantage, 504, or microloan product.

- The Act requires the SBA to pay the principal, interest, and any associated fees owed on the covered loans for a six-month period starting on the next payment due.