

CARES ACT Small Business Summary



U.S. Small Business
Administration

Arizona District Office

www.sba.gov/az

DISASTER ASSISTANCE CALL
CENTER: 1800-659-2955

Paycheck Protection Program & Economic Injury Disaster Loans

- **Capital to cover the cost of retaining employees?** Then the SBA [Paycheck Protection Program](#) might be right for you.
- **A quick infusion of a smaller amount of cash to cover you right now?** You might want to look into an [SBA Emergency Economic Injury Disaster Loan](#).
- **To ease your fears about keeping up with payments on your current or potential SBA loan?** [The Small Business Debt Relief Program](#) could help.
- **Just some quality, free counseling to help you navigate this uncertain economic time or application assistance?** The [resource partners](#) might be your best bet.

SBA Paycheck Protection Program (PPP) Loans

- The program would provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency.
- If employers maintain their payroll, the loans would be forgiven.
- PPP has a host of attractive features, such as forgiveness of up to 8 weeks of payroll based on employee retention and salary levels, no SBA fees, and at least six months of deferral with maximum deferrals of up to a year.
- Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. This program would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. **Loans are available through June 30, 2020.**

Paycheck Protection Program Summary

www.sba.gov/paycheckprotection

- The Paycheck Protection Program (“PPP”) authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. ***All loan terms will be the same for everyone.***
- The loan amounts will be forgiven as long as:
 - The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made; and
 - Employee and compensation levels are maintained.
- Payroll costs are capped at \$100,000 on an annualized basis for each employee. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- Loan payments will be deferred for 6 months.

Businesses and entities must have been in operation on February 15, 2020.

- Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that has fewer than 500 employees, or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.
- Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72, for which the affiliation rules are waived.
- Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company.

PPP Eligibility Concerns

- In general, 501(c)(3) and 501(c)(19) non-profits with 500 employees or fewer. Most non-profit SBA size standards are based on revenue, not employee number.
- Religious organizations are now eligible; further guidance available
- Other types as well.

PPP Loan How Much?

- Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is always **\$10 million**.
- **If you were in business February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- **If you were not in business between February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- **If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020** and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

PPP Loan

- **What do I need to apply?** You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020.
- **What other documents will I need to include in my application?** You will need to provide your lender with payroll documentation.
- **Do I need to first look for other funds before applying to this program?** No. We are waiving the usual SBA requirement that you try to obtain some or all of the loan funds from other sources (i.e., we are waiving the Credit Elsewhere requirement).
- **How long will this program last?** Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan.
- **How many loans can I take out under this program?** Only one.

PPP Loan

- **What can I use these loans for?** You should use the proceeds from these loans on your:
 - Payroll costs, including benefits;
 - Interest on mortgage obligations, incurred before February 15, 2020;
 - Rent, under lease agreements in force before February 15, 2020; and
 - Utilities, for which service began before February 15, 2020.

Payroll Explained

What counts as payroll costs? Payroll costs include:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

PPP Loan Forgiveness

- **How much of my loan will be forgiven?** You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- You will also owe money if you do not maintain your staff and payroll.
- **Number of Staff:** Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- **Level of Payroll:** Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- **Re-Hiring:** You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

PPP Loan Forgiveness

- **How can I request loan forgiveness?** You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days.
- **What is my interest rate?** 1.0% fixed rate.
- **When do I need to start paying interest on my loan?** All payments are deferred for 6 months; however, interest will continue to accrue over this period.
- **When is my loan due?** In 2 years.
- **Can I pay my loan earlier than 2 years?** Yes. There are no prepayment penalties or fees.
- **Do I need to pledge any collateral for these loans?** No. No collateral is required.
- **Do I need to personally guarantee this loan?** No. There is no personal guarantee requirement. **If the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you**

The Small Business Debt Relief Program

SBA is required to pay the principal, interest, and any associated fees owed on a 7(a) or 504 loan in regular servicing starting with the next payment due for both existing and new borrowers. There are three scenarios outlined that cover all possibilities with clear guidance:

- Existing borrower not on deferment: six months of payments of principal, interest, and any associated fees begin with the next payment due on the loan; o
- Existing borrower on deferment: six months of payments of principal, interest, and any associated fees beginning with the next payment due on the loan after the deferment period; and
- New borrower: six months of payments of principal, interest, and any associated fees beginning with the first payment due on the loan, but only for new loans made within the first six months starting from the date of enactment (3/27/2020).

SBA Economic Injury Disaster Loan

Eligibility

- Businesses with fewer than 500 employees
- Cooperatives, SOPs, and tribal small businesses with fewer than 500 employees
- Sole proprietors
- Independent contractors
- Most private nonprofits

Must have been in existence on January 21, 2020

SBA Economic Injury Disaster Loan

Loan Parameters

- The maximum EIDL is a \$2 million working capital loan at a rate of 3.75% for businesses and 2.75% for non-profits with up to a 30-year term
- Payments on Coronavirus EIDL loans are deferred for one year
- Up to \$200,000 can be approved without a personal guarantee
- Approval can be based on a credit score and no first-year tax returns are required
- Borrowers do not have to prove they could get credit elsewhere
- No collateral is required for loans of \$25,000 or less. For loans of more than \$25,000, general security interest in business assets will be used for collateral instead of real estate
- The borrowers must allow the SBA to review its tax records

SBA Economic Injury Disaster Loans

Emergency \$10,000 Advance

- Eligible applicants for an EIDL can receive a \$10,000 emergency grant within three days of application (through December 31)
- There is no obligation to repay the grant. To receive the \$10,000 emergency grant, it is not necessary to have an approved EIDL loan. However, if you are able to secure a PPP loan, the \$10,000 grant will be subtracted from the forgiveness amount.

SBA Economic Injury Disaster Loan

How do I apply?

- www.sba.gov/disaster
- No additional documents necessary
- Apply directly through SBA

Resource Partners

- SCORE
- Small Business Development Centers – www.AZSBDC.net
- Women’s Business Centers
- VBOC
- SBA Microlenders
- SBA Participating Lenders
- Libraries, Chambers, Universities, Community Colleges, non-profits, Incubators, State and Local Government Departments, Elected Officials

Links and Additional Resources

- The Treasury Department has released fact sheets for small business lenders and small business borrowers interested in accessing the \$349 billion Paycheck Protection Program (PPP) that was enacted last week as part of the CARES Act.
 - For an overview of the program, [click here](#)
 - If you're a lender, more information can be found [here](#)
 - If you're a borrower, more information can be found [here](#)
 - The application for borrowers can be found [here](#)
- For small business guidance and resources available during these times, the best source of information for all programs is: www.sba.gov/coronavirus.
- Also, we encourage you to subscribe to our email updates via www.SBA.gov/Updates and follow us on Twitter at [@SBAgov](https://twitter.com/SBAgov) for the latest news on available SBA resources and services. If you need additional assistance, you can find your local SBA office and resource partners at www.SBA.gov/LocalAssistance.

Additional Resources

- For assistance in applying for SBA Disaster Relief Program, Arizona businesses can contact SBA's Customer Service Center at 1-800-659-2955 or e-mail disastercustomerservice@sba.gov