

## **CARES Act and SBA Paycheck Protection Loan Program**

On Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law by President Trump. The CARES Act includes the Paycheck Protection Program which provides \$350 billion in loans under Section 7 of the Small Business Act during the “covered period,” which runs from February 15, 2020 through June 30, 2020. These loans are for small businesses, 501(c)(3) nonprofits, 501(c)(19) veteran’s organizations, and tribal businesses with 500 or fewer employees; self-employed individuals; independent contractors; and gig economy workers. The goal of this program is to prevent workers from losing their jobs and to keep small businesses from going under due to economic losses caused by the Coronavirus pandemic. The bill requires that the Small Business Association (“SBA”) enact these programs no later than 15 days after the Act is signed into law.

The Paycheck Protection Program provides 8 weeks of cash-flow assistance through 100 percent federally guaranteed loans for employers who maintain their payroll. Eligible entities may borrow the lesser of either 2 ½ times the average monthly payroll, covering employees making up to \$100,000 per year, or \$10 million. Covered payroll costs include salary, wages, and payment of cash tips; employee group health care benefits, including insurance premiums; retirement contributions; and covered leave.

The loans will have a maximum maturity of 10 years and an interest rate not exceeding 4 percent. Payments are eligible to be deferred for between 6 months and 1 year. Also, loans may be forgiven up to an amount used to pay payroll, rent, utilities and mortgage interest during the 8 weeks following the loan disbursement. The amount forgiven cannot exceed the principal amount of the loan. And the forgiven amount will be reduced if the employer reduces its workforce, salary or wage levels by more than 25 percent during the 8-week covered period. However, the reduction can be avoided if the employer rehires or increases the reduced salary or wages by June 30, 2020.

Paycheck Protection Program loans are made by SBA-certified lenders in all 50 states, and there are currently 800 approved lenders. No collateral is required to be pledged and the normal personal guarantee requirement for SBA loans is waived.

**If you would like to discuss the Paycheck Protection Program or how to qualify for these benefits, our attorneys at Loomis, Ewert, Parsley, Davis & Gotting are happy to help. Please contact J.V. Anderton at [jfanderton@loomislaw.com](mailto:jfanderton@loomislaw.com), Kevin Roragen at [kjroragen@loomislaw.com](mailto:kjroragen@loomislaw.com), or call us at 517-482-2400.**