

Small Business Administration (SBA) Provisions in the CARES Act – 3/27/2020

Congress passed a \$2 trillion COVID-19 economic relief package on March 27, 2020 with overwhelming bipartisan support. As more guidance is released by the Administration on how these new programs will be implemented, updates will be provided at [CARES Act and REALTORS®](#)

Economic Injury Disaster Loans (EIDL) and 7(a) Payroll Protection Plan

The CARES Act dramatically increased the role of the Small Business Administration (SBA) in efforts to assist U.S. businesses impacted by the COVID-19 crisis. The two main vehicles for these relief efforts are the SBA 7(b)(2) loans – Economic Injury Disaster Loans – and the SBA 7(a) loan program. Both loans are available to businesses with 500 or fewer employees that have been negatively impacted by the crisis.

Emergency Economic Injury Disaster Loan (EIDL) Grants (Section 1110)

- Businesses with 500 employees or fewer, including sole proprietors, independent contractors, and cooperatives are eligible for Economic Injury Disaster Loans (EIDL) during the covered period of January 31st to December 31, 2020 in response to COVID-19.
- The business must show hardship due to the Coronavirus.
- The Economic Injury Disaster Loans are available for up to \$2 million dollars for businesses.
- During the covered period, SBA can determine loan eligibility based solely on the applicant's credit score or use of an alternative appropriate method for determining an applicant's ability to repay.
- The SBA must waive any personal guarantee on loan advances or loans under \$200,000.
- Legislation provides \$10 billion in funding to provide an emergency advance of up to \$10,000, which is forgivable debt, to small businesses within 3 days of the business applying for the Economic Injury Disaster Loan (EIDL).
- Economic Injury Disaster Loans may be used for the following:
 - Paid sick leave to employees impacted by COVID-19
 - Payroll
 - Rent/Mortgage Payments
 - Debt obligations due to loss revenues
 - Increased costs for due to chain supply disruptions and materials.

SBA 7(a) Payroll Protection Program (Section. 1102 & 1106)

- Businesses with 500 employees or fewer, including sole proprietors and independent contractors, are eligible for SBA 7(a) loans in response to COVID-19 covering expenses for the period of February 15, 2020 through June 30, 2020. The CARES Act appropriates \$349 billion to cover these loans.
- The loan amount will be 250% of the average salary expenditures/month for the year prior to the loan, up to \$10 million. For businesses not open yet in that period, the SBA will look at earlier receipts from 2020.
- 7(a) loans can be used for:
 - Payroll, including for independent contractors and employees who work on commission;
 - Rent/Mortgage interest;
 - Utilities.
- All or a portion of these loans will be forgivable for businesses that maintain at least 75% of the average payroll levels as in the previous year; forgivable amounts phase out as employers payroll levels drop below that.
- The bill also increases the SBA "Express Loan" limit from \$350 thousand to \$1 million.