



CARES Act SBA Loan Programs

7(a) PAYCHECK PROTECTION LOAN PROGRAM: The CARES Act establishes a new \$349 billion Paycheck Protection Program through the 7(a) Program, which is the Small Business Administration's primary program for providing financial assistance to small businesses.

Eligibility: The program generally covers:

- small businesses and nonprofits with fewer than 500 employees;
- sole-proprietors, independent contractors, and self-employed individuals; and
- hospitality businesses with fewer than 500 employees at each location.

Available Funding: Loans are capped at \$10,000,000 and are based on applicant's payroll costs. If the applicant was in business from February 15, 2019, to June 30, 2019, the maximum loan amount is equal to 2.5 times the average monthly payroll costs during the 1-year period before the date of the loan. Payroll costs taken into consideration include:

- Salary, wage, commission or similar compensation;
- Payment of vacation, parental, family, medical, or sick leave;
- Allowance for dismissal or separation;
- Payment required for the provisions of group health care benefits, including insurance premiums;
- Payment of any retirement benefits; and
- Payment of state or local taxes assessed on the compensation of benefits.

NOTE: Employee salaries over \$100,000 are not permitted to be taken into account for the purposes of this loan.

Eligible Uses of Loan Funds: Loan recipients can only use these loan funds to cover the cost of payroll, health care benefits, interest on mortgage benefits, rent, and utilities.

Loan Terms: The SBA will issue additional guidance on repayment terms but it is expected that they will not seek repayment before six months of the loan disbursement. Interest rates are capped at four percent. **Borrowers are eligible to have their loan amounts completely forgiven so long as the amounts borrowed are used for permitted uses, though the loan recipient is still required to pay the accrued interest.** The SBA is permitted to reduce the amount of loan forgiveness on a loan recipient if they reduce the number of employees they have on payroll or reduce their wages through June 30, 2020.

Documentation Required: Applicants for these loans must provide documentation to support their claimed eligibility, including payroll tax filings reported to the IRS, Form 1099-Misc, and income and expenses from the sole proprietorship, as determined by the SBA and the Secretary of the Treasury.

EMERGENCY INJURY DISASTER LOANS: The CARES act expands the availability of Economic Injury Disaster Loans (EIDLs) to nonprofit organizations, sole proprietors and any individual operating as an independent contractor. EIDLs cover expenses that the loan recipient would have been able to pay had the disaster (COVID-19) not occurred.

Eligibility: The grant is available to small businesses with 500 or fewer employees, private nonprofits, sole proprietors and independent contractors, tribal businesses, as well as cooperatives and employee-owned businesses

Available Funding: Applicants can apply for up to \$2 million in funds.

Eligible Use of Funds: The SBA will issue further guidance but the CARES Act stipulates that funds may only be used for expenses that could have been paid by the nonprofit had the COVID-19 pandemic not occurred.

Loan Terms: Loans can be repaid up to a 30-year period and interest rates for nonprofits are capped at 2.75 percent and 3.75 percent for all other qualifying small businesses. Principal and interest payments may be deferred for up to four years. These loans are not eligible for loan forgiveness and must be repaid according to the terms of the loan.

EIDL \$10,000 EMERGENCY GRANTS: EIDL applicants can request that up to \$10,000 of the amount they applied for in their loan be paid off by the SBA as a grant. The SBA is required to pay the applicant the grant amount requested within three days of receiving their EIDL application so long as the applicant certifies, under the penalty of perjury, that they meet the eligibility requirements described above. The emergency grant funds can be used to cover sick leave for employees unable to work due to COVID-19, maintain payroll to retain employees, or make rent or mortgage payments

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