

March 25, 2020

Small Business Administration (SBA) Coronavirus Guidance & Loan Resources [Webpage](#)

Existing SBA Loan Programs

SBA Disaster Loan Program to which small businesses can apply for a low interest loan due to COVID-19.

- *Economic Injury Disaster Loans (EIDLs)*
 - **SBA Economic Injury Disaster Loans**
 - If you are in a declared disaster area and have suffered economic injury regardless of physical damage, you may qualify for an Economic Injury Disaster Loan (EIDL).
 - Who's Eligible? Small businesses, small agricultural cooperatives, and most private nonprofit organizations
 - EIDLs can provide up to \$2 million to help meet financial obligations and operating expenses that could have been met had the disaster not occurred. The loan amount will be based on your actual economic injury and the company's financial needs, regardless of whether the business suffered any property damage.
- *Military Reservists Economic Injury Loans*
 - If you have an essential employee who is a military reservist called to active duty, SBA provides loans to help eligible small businesses with operating expenses.
- *Home and Personal Property Loans*
 - If you are in a declared disaster area and are the victim of a disaster, you may be eligible for financial assistance from the SBA, even if you don't own a business.
- *Business Physical Disaster Loans*
 - Any business or organization located in a declared disaster area and that incurred damage during the disaster may apply for a loan to help replace or restore damaged property.

7(a) Program offers loan amounts up to \$5,000,000 and is an all-inclusive loan program deployed by lending partners for eligible small businesses within the U.S. States and its territories. The uses of proceeds include: working capital; expansion/renovation; new construction; purchase of land or buildings; purchase of equipment, fixtures; lease-hold improvements; refinancing debt for compelling reasons; seasonal line of credit; inventory; or starting a business.

Express Loan Program provides loans up to \$350,000 for no more than 7 years with an option to revolve. There is a turnaround time of 36 hours for approval or denial of a completed application. The uses of proceeds are the same as the standard 7(a) loan.

Community Advantage Loan Pilot Program allows mission-based lenders to assist small businesses in underserved markets with a maximum loan size of \$250,000. The uses of proceeds are the same as the standard 7(a) loan.

504 Loan Program is designed to foster economic development and job creation and/or retention. The eligible use of proceeds is limited to the acquisition or eligible refinance of fixed assets.

Microloan Program involves making loans through nonprofit lending organizations to underserved markets. Authorized use of loan proceeds includes working capital, supplies, machinery & equipment, and fixtures (does not include real estate). The maximum loan amount is \$50,000 with the average loan size of \$14,000.

SBA Changes in PHASE 1 (Signed into law March 6)

Provided \$7 billion for low-interest disaster loans for the SBA.

SBA Changes in PHASE 2 (Signed into law March 18)

For private sector employers with fewer than 500 employees:

- Must provide 12 weeks of emergency family leave.
 - Leave is job-protected for employees who are unable to work or telework because they are caring for a child;
 - The first 10 days of leave could be unpaid, though a worker could choose to use accrued vacation days, personal leave, or other available paid leave for unpaid time off;
 - Following the 10-day period, workers would receive a benefit from their employers that will be at least two-thirds of their normal pay rate;
 - Leave assistance to workers would be capped at \$200 per day or \$10,000 total.
 - Exempts small businesses with few than 50 employees from paid leave requirements and certain healthcare providers and emergency responders.
- Emergency sick leave (up to 80 hours) for workers who are unable to work or telework for various reason due to coronavirus;

- Leave assistance would be capped at \$5,110 for a worker's quarantine or diagnosis and at \$2,000 to provide care for another individual or child
- Exempts small businesses with few than 50 employees from paid leave requirements and certain healthcare providers and emergency responders.
- Creates an employer tax credit for employers who cover wages paid to employees while they are taking time off under the sick leave and family leave programs.
 - The sick leave credit for each employee would be for wages of as much as \$511 per day while the employee is receiving paid sick leave because they are quarantined, or \$200 if they are caring for someone else who is quarantined, or their child's school is closed. The limit would be the excess of 10 days over the aggregate number of days considered for all preceding calendar quarters.
 - The family leave credit for each employee would be for wages of as much as \$200 per day while the employee is receiving paid leave, or an aggregate of \$10,000.

SBA Changes in PHASE 3 (TBD)

Paycheck Protection Program (SEC. 1102)

- Provides 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.
- Increases the maximum 7(a) loan amount to \$10 million through December 31, 2020 and provides a formula by which the loan amount is tied to payroll costs incurred by the business to determine the size of the loan, not to exceed \$10 million.
- Sets a maximum interest rate of 4%.
- Defines eligibility for loans as a small business, nonprofit, or veteran's organization with 500 employees and includes sole-proprietors, independent contractors, and other self-employed individuals.
- Expands use to include salaries and paid sick leave, expenses related to supply chain disruptions, and mortgage or rent payments.
- Allows businesses with more than one physical location that employs no more than 500 employees per location to be eligible, if under a gross annual receipts threshold.
- Waives affiliation rules for business in the hospitality and restaurant industries (Sector 72 of the NAICS).
- Cannot apply for a PPP loan if borrower also has an EIDL loan related to COVID-19.
- Increases Express Loan limit to \$1 million through the end of 2020.

Entrepreneurial Development (SEC. 1103)

- Authorizes SBA to provide additional financial awards to resource partners (Small Business Development Centers and Women's Business Centers) to provide counseling, training, and education on SBA resources and business resiliency to small business owners impacted by COVID-19.

State Trade Expansion Program (SEC. 1104)

- Allows for state STEP participants to be reimbursed for events cancelled due to COVID-19, so long as it does not exceed their federal grant.

Waiver of Matching Funds for Women's Business Center Program (SEC. 1105)

- Eliminates the non-federal match requirement for Women's Business Centers (WBC) for a period of three months.

Loan Forgiveness Program (SEC. 1106)

- Establishes that the borrower shall be eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the loan on payroll costs, interest payment on any mortgage incurred prior to February 15, 2020, payment of rent on any lease in force prior to February 15, 2020, and payment on any utility for which service began before February 15, 2020.
- Amounts forgiven may not exceed the principal amount of the loan. Eligible payroll costs do not include compensation above \$100,000 in wages.
- Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8 week period compared to the previous year or time period, proportionate to maintaining employees and wages:
 - Payroll costs **plus** any payment of interest on any covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation) **plus** any payment on any covered rent obligation **+** and any covered utility payment.

Minority Business Development Agency (SEC. 1108)

- Authorizes \$10 million for the Minority Business Development Agency within the Department of Commerce to provide grants to Minority Business Centers 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.

U.S. Treasure Management Program (SEC. 1109)

- Grants authority of the U.S. Department of Treasury, the Farm Credit Administration, and other federal financial regulatory agencies to authorize bank and nonbank lenders to participate, including insured credit unions in loans made under the Paycheck Protection Program.

Emergency EIDL Grants (SEC. 1110)

- Expands EIDL eligibility to include tribal businesses, cooperatives, ESOPs with fewer than 500 employees or any individual operating as a sole-proprietor or an independent contractor, and private non-profits.
- Establishes an Emergency EIDL Grant program to allow an eligible entity who has applied for an EIDL loan to request an advance on that loan, of not more than \$10,000, which the SBA must distribute within 3 days.
 - Establishes that applicants shall not be required to repay advance payments, even if subsequently denied for an EIDL loan.

Subsidy for Certain Loan Payments (SEC. 1112)

- Allows SBA to encourage lenders to provide deferments and to extend the maturity of the loans to avoid balloon payments or any increases in debt for the borrower during the period of the national emergency declaration.
- Requires the SBA to pay the principal, interest, and any associated fees that are owed on the defined loans for a 6-month period starting on the next payment due. Loans that are already on deferment will include an additional 6 months of payment by the SBA beginning with the next payment. Loans made during this period until 6 months after the enactment will also qualify for 6 months of deferral payment by the SBA.

Bankruptcy (SEC. 1113)

- Increases the eligibility threshold to file bankruptcy for small businesses with less than \$7,500,000 of debt. The increase sunsets after one year and the eligibility threshold returns to \$2,725,625.
- Excludes coronavirus-related payments from the federal government from being treated as "income" for purposes of filing bankruptcy. Sunsets after one year.

SBA Appropriations (SEC. 1107)

- \$349 billion for business loan guarantees and loan subsidies,
- \$675 million for 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,
- \$10 million for minority business centers for technical assistance for businesses,
- \$10 billion for Emergency EIDL Grants,
- \$17 billion for loan payment subsidies,
- \$25 million for the Treasure Program Management Authority,
- \$100 billion for secondary market guarantee sales.

SBA Changes in PHASE 4 (TBD)

More action by Congress is already expected and will be necessary for a variety of industries. It is unclear at this time if additional SBA measure will be included.

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