

## Attorneys:

- **Andrew C. Glassman**  
aglassman@pullcom.com  
860.541.3316
- **Nancy A. D. Hancock**  
nhancock@pullcom.com  
203.330.2118
- **Brion J. Kirsch**  
bkirsch@pullcom.com  
860.424.4349
- **D. Robert Morris**  
rmorris@pullcom.com  
203.330.2109

## Summary of Terms for SBA Loans in Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act)

**March 29, 2020**

Nancy A. D. Hancock and Thomas H. Wilkeson

The CARES Act went into effect on Friday, March 27, 2020. The following outline summarizes the Paycheck Protection Program under Title I, Keeping American Workers Paid and Employed Act. The Administrator of the U.S. Small Business Administration (SBA) is authorized to make loans under the Paycheck Protection Program.

- Loans available during the “covered period” defined as February 15, 2020 through June 30, 2020;
- Available to small businesses, not-for-profits, veterans’ organizations and tribal business with not more than 500 employees (or size standard in number of employees established by the Small Business Administration for the industry);
- Also available to sole proprietors, independent contractors and self-employed individuals, who must submit payroll tax filings, 1099-MISC or income expenses to establish eligibility;
- Maximum loan amount is the lesser of \$10,000,000 or 2.5 times the average monthly payroll amount for the previous year (for an existing business);
- An otherwise eligible company that does not have a year of payroll can borrow up to the lesser of \$10,000,000 or 2.5 times its average monthly payroll for the period beginning 1/1/2020 through 2/29/2020, plus the unrealized portion of certain other SBA Section 7(a) loans;
- Payroll amount used in determining maximum loan amount includes up to \$100,000 of wages for those earning more than that;
- Loan proceeds can be used to cover payroll, health care benefits, paid sick leave, and insurance premiums, employee salaries (but not salaries in excess of \$100,000), interest on mortgage obligations, rent, utilities, interest on other

## Summary of Terms for SBA Loans in Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act)

---

debt incurred before covered period;

- Applicant must make good-faith certification that uncertain current economic conditions makes the loan request a necessity to support ongoing operations; acknowledge funds will be used to retain workers, maintain payroll, and make mortgage, lease, and utility payments, and no other outstanding loans for same purpose;
- No application fee or lender fees paid by applicant;
- Applicant does not need to show it was unable to obtain credit elsewhere;
- No personal guarantee by owners required;
- No collateral required;
- Any balance after application of forgiveness shall have a maximum maturity of 10 years from the date the borrower applies for loan forgiveness;
- Loans shall bear an interest rate not to exceed 4%;
- Payment deferral of all principal, interest, and fees for a minimum of 6 months but not more than 1 year;
- No prepayment penalty;
- Borrower eligible for loan forgiveness for amounts equal to the sum of costs incurred for payroll costs (but not salaries in excess of \$100,000), interest on mortgage obligations, rent obligations, and utility payments;
- Limits on amount of loan forgiveness
  - Amount of forgiveness cannot exceed principal amount of financing;
  - Amount of forgiveness will be reduced by reduction in the number of FTEs
    - Calculation of reduction based on multiplying average number of FTEs/month during covered period, by a fraction (average number of FTEs/month during covered period, over average number of FTEs/month during applicant’s choice of period from 02/15/2019 through 06/30/2019, or period from 01/01/2020 through 02/29/2020 (or comparison of periods in 2019 to 2020, for seasonal employers);
  - Amount of forgiveness will be reduced dollar-for-dollar by an amount equal to the total salary and wages that were reduced by more than 25% for all employees who made an annualized salary of less \$100,000;
  - Amount of forgiveness may be increased by amount of additional wages paid to qualifying tipped employees;
  - But, to encourage employers to re-hire any employees who were previously laid off and/or restore employee wages that were reduced due to COVID-19 crisis, amount of forgiveness is calculated without reductions in the forgiveness described above, if such layoffs and salary reductions occurring from February 15, 2020 through April 26, 2020 are returned to the earlier levels by June 30, 2020;

## Summary of Terms for SBA Loans in Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act)

---

- SBA and Treasury may issue regulations granting de minimis exemptions from these requirements.
- Applicant seeking loan forgiveness shall submit to lender servicing loan:
  - Documentation verifying number of full-time employees on payroll and pay rates;
  - Payroll tax filings reported to IRS;
  - State income, payroll, and unemployment insurance filings;
  - Documentation of cancelled checks, payment receipts, account transcripts, etc. verifying payments on mortgage, lease, and utility obligations;
- Certification from representative from company representative that:
  - Documentation is correct;
  - Forgiveness requested was used to retain employees, make mortgage or lease payments, or make utility payments
- Decision on forgiveness should be made within 60 days;
- Any forgiveness shall be excluded from gross income.

---

This publication is intended for educational and informational purposes only. Readers are advised to seek appropriate professional consultation before acting on any matters in this update. This report may be considered attorney advertising. To be removed from our mailing list, please email [unsubscribe@pullcom.com](mailto:unsubscribe@pullcom.com) with "Unsubscribe" in the subject line. Prior results do not guarantee a similar outcome.