

## CARES ACT – Summary Chart of Two New Loan Programs for Small Businesses



Below is a summary of key details related to business owner relief in the CARES Act for those "substantially affected by COVID-19, which includes supply chain disruptions, staffing challenges, decrease in sales or customers, or a shuttered business. Many details of the programs are yet to be finalized.

	<b>“Paycheck Protection Program”</b>	<b>“Economic Injury Disaster Loans” (“EIDL”)</b>
<b>Highlight</b>	<b>Loan Forgiveness:</b> The loan may be forgiven if used to pay payroll and other allowed expenses and the employer maintains BOTH the same number of Full Time Equivalent employees and compensates those employees no less than 75% of their wages. <sup>1</sup> The amount of this loan forgiveness will not count towards gross income (i.e. there is no cancellation of indebtedness income from the forgiveness).	<b>\$10,000 Emergency Grant:</b> To be paid days after applying for the EIDL loan, <b>even if</b> the loan application is denied. The grant component does not have to be repaid ( <b>unless</b> the borrower participates in the Paycheck Protection Program loan forgiveness, in which case the emergency grant must be repaid).
<b>Who is eligible?</b>	Business concerns, nonprofit organizations, and sole proprietorships, independent contractors and self-employed individuals (as well as veterans’ organizations or Tribal business concerns) with less than 500 employees. <sup>2</sup>	Business with not more than 500 employees <sup>3</sup> , private nonprofit organizations, sole proprietors, cooperatives, ESOP, tribal small business concerns, and small agricultural cooperatives.
<b>How much can I borrow?</b>	2.5 times the average monthly payroll over the last year (or if less, \$10,000,000)	\$2,000,000, up to the amount of the “economic injury.”
<b>What can funds be used for?</b>	Payroll, continuation of group health care benefits during periods of leave, payment of interest on mortgages, rent; utilities; and interest on any other debt obligation that was incurred prior to February 15, 2020	SAME
<b>Does anyone have to personally guarantee the loan or give security?</b>	No (although there may be shareholder, member, or partner liability if funds are used for unauthorized purposes.)	Yes, unless the loan is under \$200,000 (in which case there is no personal guarantee required).
<b>What are the terms?</b>	Interest rate not to exceed 4%, up to a 10 year term (determined at time of loan forgiveness).	Interest rate 3.75% for for-profit businesses; 2.75% for nonprofits; up to 30 year term.
<b>When do I have to start making payments?</b>	No earlier than six months, no later than a year. Interest does <u>not</u> accrue during deferral.	May be deferred up to 4 years.

- Notes: 1. There are detailed formulas about how the loan forgiveness is calculated that is beyond the scope of this limited chart. There is a separate chart on loan forgiveness.  
 2. The employee limit for the PPP loan is calculated using SBA affiliation rule (13 CFR 121.103). Under the CARES Act, each employee and contractor counts, not just full-time equivalents. Special rules apply to hotels and the hospitality industry regarding calculation of number of employees.  
 3. The 500 employee limit for the EIDL loan is calculated using IRS affiliation rules (IRC s. 414.). Each employee and contractor counts.

*This information is current as of 3/31/20 and is subject to revision. This table has been prepared and published for informational use only and is not offered, nor should it be construed, as legal advice.*

**For Further Information:** If you have questions, please contact the attorney in the firm that you work with or Matt Benson at [m.benson@clrm.com](mailto:m.benson@clrm.com).