440 1st St. NW, Suite 520, Washington, D.C. 20001

Coronavirus Aid, Relief, and Economic Security Act or the "CARES Act" Summary

Keep American Workers Paid Act

Paycheck Protection Program

- Increases the government guarantee of loans made for the Payment Protection Program under section 7(a) of the Small Business Act to 100 percent through December 31, 2020.

- Outlines the terms in this section.

- Provides the authority for the Administrator of the U.S. Small Business Administration (SBA) to make loans under the Paycheck Protection Program.

- Requires the Administrator to register each loan using the TIN, as defined by the IRS, within 15 days.

- Defines eligibility for loans as a small business, nonprofit, or veteran's organization with 500 employees, or the applicable size standard for the industry as provided by SBA, if higher.

- Excludes nonprofit organizations who receive Medicaid reimbursements from eligibility for loans.

- Includes sole-proprietors, independent contractors, and other self-employed individuals as eligible for loans.

- Allow businesses with more than one physical location and employs no more than 500 employees per physical location in certain industries to be eligible.

- Waives affiliation rules for businesses in the hospitality and restaurant industries, franchises who are approved on the SBA's Franchise Directory, and small businesses who receive financing through the Small Business Investment Company (SBIC) program.

- Defines the covered loan period as beginning on February 15, 2020 and ending on December 31, 2020.

- 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.

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- Allowable uses of the loan include payroll support, such as employee salaries, as paid sick or medical leave, insurance premiums, mortgage payments, and any other debt obligations.

- Provides delegated authority, which is the ability for lenders to make determinations on borrower eligibility and creditworthiness without going through all of SBA's channels, to all current 7(a) lenders who make these loans to small businesses, and provides that same authority to lenders who join the program and make these loans.

- Waives collateral and personal guarantee requirements under this program.

- Increases the government guarantee of 7(a) loans to 100 percent through December 31, 2020, at which point guarantee percentages will return to 75 percent for loans exceeding $150,000 and 85 percent for loans equal to or less than $150,000.

- Allows complete deferment of 7(a) loan payments for not more than one year and requires SBA to disseminate guidance to lenders on this deferment process within 30 days.

- Requires the Administrator to provide a lender with a process fee for servicing the loan.

- Allows borrowers who have received an economic injury disaster loan (EIDL) between February 15, 2020 and March 31, 2020 to receive assistance under this program.

- Increases the maximum loan for a SBA Express loan from $350,000 to $1 million through December 31, 2020, after which point the Express loan will have a maximum of $500,000.

Entrepreneurial Development

- 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.

Loan Forgiveness

- 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.

- The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25.

- Borrowers which re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.

Direct Appropriations

- $299.4 billion for loan guarantees and loan subsidies

- $700 million for salaries and expenses

- $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, and

- $25 million for the Office of Inspector General.

Minority Business Development Agency

- 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.

United States Treasury Program Management Authority

- Establishes the 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 in loans made under the Paycheck Protection Program.

- For financial institutions admitted under this section, gives Treasury the authority to issue regulations and guidance for terms concerning lender compensation, underwriting standards, interest rates, and maturity. Interest rates set under this authority may not exceed the maximum permissible rate of interest set on loans made under Section 1102 of this Act.

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- Requires that Treasury ensure that terms and conditions provided by this section are the same as the terms established for loans under Section 1102 of this Act for borrower eligibility, maximum loan amount, allowable uses, fee waivers, deferment, guarantee percentage, and loan forgiveness.
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Emergency EIDL Grants

- Defines an eligible entity to include startups, cooperatives, and ESOPs with fewer than 500 employees or any individual operating as a sole proprietor or an independent contractor.

- Requires that for any SBA EIDL loans made in response to COVID-19 before December 31, 2020, the SBA shall waive any personal guarantee on advances and loans below $200,000, the requirement that an applicant needs to have been in business for the 1-year period before the disaster, and the credit elsewhere requirement.

- Allows SBA to offer EIDL loans based solely on an applicant's credit score or an appropriate alternative method for determining applicant's ability to repay.

- Establishes an Emergency Grant 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.

- In advance of disbursing the advance payment, the SBA must verify that the entity has applied for an EIDL loan.

- Authorizes $10,000,000,000 to be appropriated to the SBA to carry out this program.

- Terminates the authority to carry out Emergency EIDL Grants on December 30, 2020.

- Establishes that an emergency involving Federal primary responsibility determined to exist by the President under the Stafford Disaster Relief and Emergency Assistance Act qualifies as trigger for EIDL loans and, in such circumstances, the SBA Administrator shall deem that each State or subdivision has sufficient economic damage to small business concerns to qualify for assistance under this paragraph and the Administrator shall accept applications for such assistance immediately.

Modification of limitation on business interest

- Temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30-percent limitation to 50 percent of the taxable income (with adjustments) for 2019 and 2020. As businesses look to weather the storm of the current crisis, this provision will allow them to increase liquidity with a reduced cost of capital, so that they are able to continue operations and keep employees on payroll.

Economic Stabilization And Assistance To Severely Distressed Sectors Of The United States Economy

Emergency Relief and Taxpayer Protections

- Provides $500 billion to Treasury's Exchange Stabilization Fund to provide loans, loan guarantees, and other investments, distributed as follows:
    - Direct lending, including:
    - $50 billion for passenger air carriers;
    - $8 billion for cargo air carriers; and
    - 17 billion for businesses important to maintaining national security.
    - $425 billion for loans, loan guarantees, and investments in support of the Federal Reserve's lending facilities to eligible businesses, states, and municipalities. Federal Reserve 13(3) lending is a critical tool that can be used in times of crisis to help mitigate extraordinary pressure in financial markets that would otherwise have severe adverse consequences for households, businesses, and the U.S. economy.
- All direct lending must meet the following criteria:
    - Alternative financing is not reasonably available;
    - The loan is secured or made at an interest rate that reflects the risk of the loan;
    - The duration of the loan shall be as short as possible and shall not exceed 5 years;
    - Borrowers cannot engage in stock buybacks during the duration of the loan; and
    - Borrowers must maintain existing employment levels, to the extent possible.