Inside the CARES Act: Update—Applying for a COVID-19-Related SBA Loan?

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As a part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Small Business Administration (SBA) loan program has been expanded for qualifying businesses and qualifying self-employed individuals. The CARES Act’s “Paycheck Protection Program” provides 100% federally backed SBA loans to cover operational costs like rent, payroll, employee health benefits, interest on other debt obligations, insurance, and utilities, among others.

CARES Act Paycheck Protection Program SBA Loan

Portions of these loans may be forgivable. These loans may be made directly by the SBA Administrator or through a bank which has been previously approved as an SBA loan lender. The SBA website is currently overwhelmed with loan applications. If you have an existing SBA loan or a relationship with a bank that is authorized to administer SBA loans, contact that lender for assistance. Otherwise, the SBA is recommending applying online during non-peak hours. The SBA Administrator is
expected to issue additional guidance this week to help with the process.

**Small Business Concerns Lending Regulations**

In addition to traditional SBA lending regulations for “small business concerns,” the CARES Act will provide these loans for a broader set of criteria, including any business concern, and nonprofit, veterans, and Tribal business concerns. The maximum CARES Act loan amount is $10 million dollars, with specific criteria for determining eligibility and the amount of the loan, such as the number of employees. Certain industries, such as the hospitality sector, have separate eligibility requirements. Interest rates on the loans will not exceed 4% and a personal guarantee is not required. As with other provisions of the CARES Act, the loans apply for the “covered period,” which is February 15, 2020, through June 30, 2020.

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