

Please see the summary below with respect to the portion of the CARES Act that provides for forgivable loans to small businesses. I assume that there are many businesses in your community that could benefit.

On March 27, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). Among other purposes, the CARES Act provides for forgivable “Paycheck Protection Program Loans” from the Small Business Administration (“SBA”), which are intended to help small businesses meet their payroll demands and other costs due to the economic impact of COVID-19. A brief summary is below.

- **Who is eligible?**
 - Any business concern, nonprofit organization, veterans organization, or Tribal business concern that has 500 or fewer employees.
 - Sole proprietorships, independent contractors, and certain self-employed individuals are also eligible.
- **How much can be borrowed?**
 - Generally, up to 2.5 times the average monthly payroll costs over the 12 months preceding the loan.
- **How can the proceeds be used?**
 - Allowable uses include:
 - Payroll costs;
 - Costs related to the continuation of group health care benefits;
 - Employee salaries, commissions, or similar compensations;
 - Payments of interest on any mortgage obligation;
 - Rent;
 - Utilities; and
 - Interest on any other debt obligation incurred before February 15, 2020.
- **What are the requirements for this loan?**
 - An eligible recipient must certify that:
 - the uncertainty of current economic conditions makes the loan necessary to support its ongoing operations; and
 - acknowledge that funds will be used to retain workers and maintain payroll, mortgage payments, lease payments and utility payments.
- **What are the terms of the loan?**
 - The length of the loan may not exceed 10 years.
 - Neither a personal guarantee nor collateral is required.
 - Interest rates cannot exceed 4%.
 - There are no prepayment penalties.
 - All payments of principal and interest must be deferred at least 6 months, but not more than 1 year.
- **Can I qualify for loan forgiveness?**
 - A borrower is eligible for loan forgiveness of an amount equal to the sum of the following costs incurred and payments made during the 8 weeks following issuance of the loan:
 - Payroll costs;
 - Payments of interest on mortgage obligations incurred before February 15, 2020;
 - Payments on rent obligation under lease agreements in force before February 15, 2020;

- Payments for utilities for which service began before February 15, 2020.
- Loan forgiveness is possible up to the principal amount of the loan, if the loan is entirely used for the above four (4) purposes.
- The percentage of the loan that will be forgiven will be proportionately reduced based on the reduction in the number of the borrower's average number of full-time employees and the reduction in employees' wages.
- Borrowers must apply for forgiveness – it is not granted automatically.
- **What do I do next?**
 - You may find a copy of the CARES Act at <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text>.
 - You are encouraged to contact your local SBA lender and other business/professional advisors to proceed with the loan process and to address any questions you may have.

This summary of the CARES Act has been provided for informational purposes only and is not intended as legal advice.