Auto Casualty

Navigating the CARES Act Emergency Small Business Funding

January 15, 2021
4 MIN READ

Last Updated: January 15, 2021 The Coronavirus Aid, Relief and Economic Security (CARES) Act includes emergency funds to help small businesses through the COVID-19 crisis. As this bill is administered and new funding options continue to be evaluated, many Small Business Administration (SBA) lenders are accepting applications and you may qualify for loans with:

- No personal guarantees
- Low interest rates
- Deferred payments
- Partial or complete forgiveness of the loan amount

We've assembled a few resources that help small business owners like you understand the options. Be aware that availability is on a first-come, first-served basis and, depending on when you apply, the funding options may already be exhausted or the requirements may have changed.

Paycheck Protection Program (PPP)

On December 27, 2020, updates to the Paycheck Protection Program (PPP) were signed into law. In addition to adding approximately $284 billion in new funding to be used for job retention and certain other expenses through March 31, 2021, Congress tightened the guidelines for eligibility. Phase 2 of the PPP is designed for organizations with 300 or fewer employees (down from 500) that have experienced at least a 25% revenue reduction in one or more quarters in 2020 as compared to 2019 (Note: If you did not already apply for a PPP loan, "first draw" funding may be subject to the terms of the original CARES Act and not the updated legislation). The maximum loan amount for Phase 2 is $2 million (down from $10 million) and any organization that received a PPP loan during the first round of funding must have used, or plan to use, the full loan amount. The SBA will forgive the portion of the loans designated for eligible payroll costs, rent, mortgage interest or utilities during either the eight or 24 weeks following issuance of the loan and up to 100% of the loan. The latest PPP funding also covers supplier costs, employee personal protective equipment and any covered property damage expense. However, businesses must spend a minimum of 60% of the loan on payroll. Any amount that is not forgiven will be treated as a two-year loan (unless a modified term is agreed to) with a one percent fixed-interest rate. New loans that originated after passage of the Paycheck Protection Program Flexibility Act in June 2020 have a five-year repayment period. All payments (principal, interest and fees) are deferred until the time when loan forgiveness amounts are remitted to the lender or within 10 months after the end of the covered

period. However, interest will continue to accrue over this period.

PPP

Economic Injury Disaster Loan (EIDL)

Small business owners in all U.S. states, Washington D.C. and territories are eligible to apply for an Economic Injury Disaster Loan (EIDL). This loan will provide economic relief to businesses that are currently experiencing a temporary loss of revenue due to COVID-19. Unlike the EIDL Advance introduced in 2020, EIDL loans are not forgivable. Payments can be deferred for one year; however, interest still accrues during the deferral period.

EIDL

Other programs offered through SBA.gov serve those who already have an SBA loan. If you have SBA funding, contact your lender. If you need local assistance with any of these programs, the SBA provides a locator here to find counselors.

> Be aware that availability is on a first-come, first-served basis and, depending on when you apply, the funding options may already be exhausted or the requirements may have changed.

The terms of the PPP and EIDL programs are unique and the amount of available funding is limited. Contact your own bank or financial institution to see if they offer access to these programs, since acceptance may be easiest when working with your existing financial institution. If you plan to seek support, we suggest that you act now!

Additional Resources

In addition to your existing financial institution, there are many resources available—including those listed below—to help small businesses access these programs. However, Mitchell does not endorse or recommend any specific program or lender.

- Kabbage—is still accepting applications from businesses applying for a first or second draw PPP loan and more information can be found on their website
- Intuit Aid Assist—check your eligibility here and calculate the available loan amount
- QuickBooks University—PPP—how to record proceeds from a PPP loan
- Small Business Guide & Checklist—from the U.S. Chamber of Commerce
- National Minority Supplier Development Council—assisting Minority Business Enterprises (MBEs) with funding
- Lendio PPP Loans—taking applications for PPP
- Top 100 SBA Lenders—Zenefits offers a list of the top 100 SBA lenders and if they are processing PPP loans

The information provided by Mitchell does not constitute legal, tax, financial or accounting advice and should not be considered a substitute for obtaining competent personalized advice from a licensed professional. You should seek professional advice before making any decision that could affect the financial health of your business.



©2022 Enlyte Group, LLC.

mitchell | genex | coventry