

Get Your Share of \$2 Trillion in COVID-19 Loans

In response to the COVID-19 pandemic, President Donald Trump signed the Coronavirus Aid, Relief, and Economic Securities Act (“CARES Act”) into law on March 27, 2020. At \$2 trillion, it is the largest spending bill ever passed by Congress. Among other things, the law provides for \$349 billion in loans for small businesses. Here is a brief synopsis of some of the resources available to small business owners under the CARES Act, as well as other funding resources available to small businesses in Pennsylvania that are currently struggling due to the crisis.

Paycheck Protection Program

The Paycheck Protection Program (“PPP”), an extension of the U.S. Small Business Administration (“SBA”) 7(a) loan program, allows small businesses, eligible nonprofit organizations, veterans organizations and tribal businesses to keep their workers on payroll by providing loans of up to \$10 million to cover payroll costs, interest on mortgages, rent, and utilities. The total loan amount for each business is determined based on eight weeks of the prior average payroll costs (which include payroll for employees earning \$100,000 a year or less, vacation, medical or sick leave, healthcare benefits, retirement benefits, and state and local taxes assessed to employees’ compensation), plus an additional 25%. If all employees are kept on payroll for eight weeks, the SBA will forgive the portion of the loans used for payroll, rent, mortgage interest, or utilities. However, the SBA notes that, at least 75% of the forgiven amount must have been used for payroll.

You can apply for a PPP loan through any existing SBA 7(a) lender or through any participating federally insured depository institution, federally insured credit union, and Farm Credit System institution. You should consult with your local lender as to whether it is participating in the program.

The application process is currently and quickly evolving to the extent the SBA is updating regulations and guidelines, and financial institutions are in the infancy stages of their ability to process applications. However, according to the SBA, lenders may begin processing loan applications as soon as Friday, April 3, 2020. The PPP will be available until June 30, 2020.

The SBA has prepared a sample form you can use if you wish to begin preparing your application. To see the information that will be requested, you can download the sample form here: <https://www.sba.gov/document/sba-form--paycheck-protection-program-ppp-sample-application-form>

For more information on the PPP loan, visit: <https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp#section-header-6>

Details:

- For businesses, certain non-profits, veterans organizations, tribal businesses, sole proprietorships, self-employed individuals, and independent contractors described in the Small Business Act, with 500 or fewer employees.
- Maximum loan amount up to \$10 million, determined by eight weeks of prior average payroll, plus 25%.
- No collateral is required.
- Loan has a maturity of two years.
- According to the SBA, the interest rate will be 0.5%
- Loan payments will be deferred for six months.
- **A portion of the loan is forgivable if you maintain your workforce.** The amount of forgiveness is calculated as the sum of the amounts paid in the eight weeks following loan origination for payroll; mortgage interest; rent and utilities.¹

SBA Economic Injury Disaster Advance Loan

Title I, Section 1110 of the CARES Act also provides for an Economic Injury Disaster Advance Loan, which is actually a grant for small businesses that does not need to be repaid. This grant will be a maximum of \$10,000 and will be made available within three days of submitting the application.

Small businesses (fewer than 500 employees) can apply for this grant by clicking here: <https://covid19relief.sba.gov/#/>

Details:

- Maximum grant amount of \$10,000.
- Does not have to be repaid.
- Funds available within three days of submitting the application.
- Only available to small businesses.
- May only be used for:
 - Providing paid sick leave to employees unable to work due to the direct effect of the COVID-19 pandemic;
 - Maintaining payroll to retain employees during business disruptions or substantial slowdowns;
 - Meeting increased costs to obtain materials unavailable from the applicant's original source due to interrupted supply chains;
 - Making rent or mortgage payments; and
 - Repaying obligations that cannot be met due to revenue losses.²

¹ <https://www.sba.gov/funding-programs/loans/paycheck-protection-program>

² CARES Act, Title I, Section 1110 (e)(4).

SBA Economic Injury Disaster Loans

In addition to the Economic Injury Disaster Advance Loans, the SBA is also offering low-interest Economic Injury Disaster Loans (“EIDL”) for businesses affected by COVID-19 that do not have credit available elsewhere. Business owners can apply for this loan by clicking here: <https://disasterloan.sba.gov/ela>

Details:

- Maximum loan amount of \$2 million.
- Available to small businesses and eligible non-profits. However, businesses with credit available elsewhere are NOT eligible for this disaster loan.
- Interest rate is 3.75% for small businesses without credit available elsewhere and 2.75% for non-profits.
- Can be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact.
- Maximum term of thirty years, determined on a case-by-case basis.³

For more information, visit: <https://www.sba.gov/page/disaster-loan-applications>

SBA Express Bridge Loan Pilot Program

While waiting for the underwriting to occur for the Economic Injury Disaster Loan, a business can apply for an SBA Express Bridge Loan, which will bridge the gap while applying for the EIDL. The loan application does not occur through the SBA itself, but rather, through an SBA-approved lender. To find an SBA-approved lender, contact the Pittsburgh SBA District Office: <https://www.sba.gov/offices/district/pa/pittsburgh>.

Details:

- Maximum loan amount of \$25,000.
- Maximum term of seven years.
- Available to small businesses. However, businesses with credit available elsewhere are NOT eligible.
- Lender may charge up to 6.5% over the prime rate.
- Proceeds must be used exclusively to support the survival and/or reopening of the small business.
- Primarily used as a bridge gap until EIDL funds arrive and will be paid in full or in part by proceeds from EIDL loan.^{4 5}

³ <https://www.governor.pa.gov/newsroom/gov-wolf-economic-injury-disaster-loans-available-to-small-businesses-and-non-profits-facing-losses-related-to-covid-19/>

⁴ <https://www.sba.gov/sites/default/files/2020-03/Express-Bridge-Loan-Pilot-Program-Guide-FINAL-3.25.20.pdf>

⁵ <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources#section-header-6>

SBA Debt Relief Program

The SBA will also offer debt relief for current SBA non-disaster loans, in particular 7(a) loans, 504 and microloans that borrowers already have, for a period of 6 months. The debt relief is also available to new borrowers who take out these loans within six months of March 27, 2020. This debt relief does not apply to the SBA Economic Injury Disaster Loans.

To learn more, contact the Pittsburgh SBA District Office: <https://www.sba.gov/offices/district/pa/pittsburgh>.

Details:

- SBA will cover all loan payments on these loans, including principal, interest and fees on current loans for six months from March 27, 2020.
- Available to new SBA loan borrowers and principal, interest and fees on the loan will be paid until September 27, 2020.

Pennsylvania agencies are also offering loans to Pennsylvania small businesses. In particular, COVID-19 Working Capital Access Program and Pennsylvania Industrial Development Authority low interest loans are designed to help businesses during the COVID-19 crisis.

COVID-19 Working Capital Access Program

This low-interest loan is administered by the Pennsylvania Industrial Development Authority (“PIDA”) and is submitted through a local Certified Economic Development Organization (“CEDO”). The purpose of the loan is to provide critical working capital financing to businesses located within the Commonwealth that are impacted by the COVID-19 pandemic. Businesses located within the City of Pittsburgh can apply here: <https://www.ura.org/pages/covid-19-working-capital-access-program>. Businesses located in Southwestern Pennsylvania, but outside the City of Pittsburgh, can apply here: <https://www.spcregion.org/programs-services/business-assistance/>

Details:

- Used for working capital, i.e., capital that is used by small businesses for operations, excluding fixed assets and production machinery and equipment.
- Maximum loan amount is \$100,000
- **Only available to small businesses in Pennsylvania that have 100 or fewer full-time employees worldwide.**
- Loan terms are three years with a 12-year amortization.
- **0% interest rate**, except for agricultural producers. Agricultural producers have a fixed rate of 2%.

- No payments due during the first year; principal and interest payments – if any – are due monthly for years 2 and 3; balloon payment will be due and payable at the end of the third year.⁶

Pennsylvania Industrial Development Authority Low Interest Loans

The Pennsylvania Industrial Development Authority is also providing low-interest loans and lines of credit for eligible businesses committed to creating and retaining full-time jobs and for the development of industrial parks and multi-tenant facilities. Like the CWCA loan above, these loans are also underwritten by local CEDOs.

To apply, contact your local CEDO, by finding them listed here: <https://dced.pa.gov/cedo/>

Details:

- Used for land and building acquisition; construction and renovation costs; machinery and equipment purchases; working capital and accounts receivable lines of credit, multi-tenant facility projects and industrial park projects.
- Terms of the loan are up to fifteen years for land and building acquisition and construction/renovation projects and up to ten years for machinery and equipment purchases.
- Working capital and accounts receivable lines of credit have a term of one year and can be renewed.⁷

For more information about these financial assistance programs and other legal issues facing you and your business in connection with the coronavirus pandemic, contact the attorneys at Anderson & Labovitz, LLC at (412) 209-3200. Or you can email our attorneys – Adam Anderson (aanderson@palawfirm.com), Bill Labovitz (wlabovitz@palawfirm.com) and Drew Miller (dmiller@palawfirm.com). For more information about our firm, visit our website at www.palawfirm.com.

⁶ <https://dced.pa.gov/programs/covid-19-working-capital-access-program-cwca/>

⁷ <https://dced.pa.gov/programs/pennsylvania-industrial-development-authority-pida/>