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SPECIAL BULLETIN 2020 – 10

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SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM

Last week, Congress passed a \$2 trillion economic stimulus package, called the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The law is aimed at helping workers, businesses, and states deal with the economic fallout from efforts to curb the coronavirus outbreak.

One part of the law, the “Paycheck Protection Program,” is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll by giving the small businesses access to short-term cash flow assistance to help cover operating expenses and keep employees. These loans will come directly from your bank and will be guaranteed by the Small Business Administration (SBA).

SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Qualifying businesses can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program.

A qualified business is one that:

- Typically employ less than 500 employees
- Was in business before February 15, 2020
- Had employees to which they paid salaries and for which they paid payroll taxes or that paid independent contractors
- Has a business account with a participating bank

Lenders are authorized to begin processing loan applications as soon as today, however, we have been advised by a large national lending institution that not all banks have the forms

needed to complete applications are not available at this time, but they should be ready soon.
The Paycheck Protection Program will be available through June 30, 2020.

It's our current understanding that the loan can be used for the following expenses:

- Operating expenses, such as payroll, rent, lease payments, utilities, and mortgage interest obligations
- Payroll costs that may include wages, salaries, retirement contributions, healthcare benefits, insurance premiums, covered leave, and other expenses
- Interest on other debt obligations incurred before February 15, 2020

Keep in mind that there will be a lot of demand for these loans and it will likely take more time than usual to complete the loan process. Additionally, we have been advised that these loans will be processed on a "first-come, first-served" basis. This implies that if you are interested in applying for one of these loans, you should get in touch with your lending institution as soon as possible.

RIPA has no additional information on this program. We urge our members who might be interested in accessing one of these loans to immediately contact your lending institution and open discussions with them.

Stay healthy.