CARES Act Provides Small Business Relief

As of March 29, 2020

On Friday March 27, President Trump signed into law S.3458 CARES Act which is a $2 trillion package in response to the economic impact of Covid-19. Since the law was just signed on Friday March 27, facts, especially technical facts, are still emerging, but we wanted to inform small business independents of the potential opportunities under the law.

Included in the overall law is a program known as the Paycheck Protection Program (PPP). This portion of the law is in the guise of a small business loan package, but it is in every sense funding intended to encourage employers to continue to retain employees and maintain a steady rate of payroll spend.

There is $349 billion appropriated for PPP and from what we understand it will be made available on a first come first serve basis. **Timing of application is therefore of the essence.**

The program is available to employers with less than 500 employees and contains significant loan forgiveness. No collateral, no personal guaranty required, from what we understand at this point in time.

Loan amounts up to greater of $10MM or 2.5X average monthly payroll (see an example at the end of this document).

One of the few requirements requires that a company attest to the fact COVID-19 has negatively impacted their business.

The impact on grocery retailers is a lengthy list, but examples may include:

- Overtime is rampant which increases the average cost per labor hour
- Continual store sanitization “deep cleaning” is expensive in terms of labor and cleaning supplies
- Store construction costs for many who have constructed plexiglass protection for their cashiers
- Families First Coronavirus Response Act (FFCRA, HB 6201) is likely to impact retailers as employees utilize the expanded leave and FMLA benefits, causing staffing shortages, and potentially requiring retailers to limit store hours or services.
- Certain store operations, such as food service, have been required to be shut down or curtailed.

Grocery retailers are on the front line of this pandemic as much as anyone in our society and they need availability to these funds to continue to provide food, supplies, and medicine to our country.
**Recommendation** – If you believe your company is eligible, contact your banker immediately and begin work on the loan package. We also recommend working with a preferred SBA lender because these banks can document and close the loans very quickly on behalf of SBA. A list of preferred SBA lenders can be found at: [https://www.sba.gov/partners/lenders/microloan-program/list-lenders](https://www.sba.gov/partners/lenders/microloan-program/list-lenders)

**Paycheck Protection Program (PPP) Loan Q&A**

**Who can get a loan?**
Businesses, including self-employed and independent contractors, Nonprofits (501 C3), veterans’ organizations (501 C19) and tribal business concerns, with less than 500 employees (per company). There are limited exemptions for companies in certain industries under [NAICS code 72](https://www.sba.gov/partners/lenders/microloan-program/list-lenders) such as hotels, motels, restaurants or certain franchisees, which would allow the 500 employee threshold to be determined by location vs company. This does not apply to supermarkets.

**Where do I apply?**
Any federally insured depository (bank or credit union)

**How much can I borrow?**
Up to $10 million but not more than 2.5 times average monthly payroll

**How much will be forgiven?**
The principle balance of the loan will be reduced by an amount equal to all expenses for payroll, utilities, and rent or mortgage interest, during the 8-week period after the loan is granted. Any remaining principle balance will be amortized over a period of up to 10 years. However, the first payment will be deferred for 12 months.

**How much is the interest rate?**
Remaining principle balance after loan forgiveness will be charged interest not to exceed 4% but will vary depending on the length of term (up to 10 years).

**What documentation will I need?**
The guidelines have not yet been published, but it is clear you will need to establish an average monthly payroll. Otherwise, there is no credit underwriting, so no tax returns, financial statements, credit reports, guarantees, etc. will be required.

**Does a business have to be negatively impacted by the COVID-19 virus in order to get a loan?**
You will be required to attest that the COVID-19 virus has negatively impacted your business.

**How long will it take to get approved?**
It is anticipated that when the program is fully up and running, loans will be funded the same day the application is completed.
EXAMPLE:
A small business with fewer than 500 employees and an average monthly payroll of $150,000 applies for a PPP loan with its bank. After attesting that the COVID-19 virus has impacted its business operations, the business receives a loan of $375,000. Over the next 8 weeks it is determined that the business has incurred $350,000 in eligible payroll, rent and utilities expenses. The principle balance of the loan is reduced to $25,000 and amortized over 10 years at an interest rate not to exceed 4%. The first loan payment is due 12 months later. The program prohibits SBA from charging fees to the lender and the borrower.