

Coping with the coronavirus in the workplace, part 4

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President Donald Trump signed the Coronavirus Aid Relief and Economic Security Act, aka the CARES Act, into law on March 27. There are several financing programs that can help employers nationwide. The CARES Act expands the eligibility criteria for borrowers to qualify for loans that are available through the U.S. Small Business Administration by adding the Paycheck Protection Program to the SBA's gamut of loan programs.

Paycheck Protection Program

The Paycheck Protection Program provides federally-guaranteed loans up to a maximum amount of \$10 million to eligible businesses in order to encourage them to retain employees through the COVID-19 crisis by assisting in the payment of certain operational costs, such as payroll, health insurance, mortgage interest, rent or lease payments and utilities.

Qualification

Businesses can receive this loan if they have 500 employees or less.

Sole proprietors, independent contractors, and self-employed persons are eligible to receive this loan if they were in business as of Feb. 15, 2020. Lastly, businesses in the accommodation and food services industry (NAICS code 72) can receive this loan even if they have more than 500 employees, so long as they do not have more than 500 employees at a single location.

Terms and Conditions

The maximum loan amount a borrower may receive will be the lesser of \$10 million and 2.5 times the

business owner's average monthly payroll costs during the one year period prior to the loan being taken out. The deadline to apply for the loan will be June 30. The maximum interest rate for the loan is 4%. The loan does not have a collateral requirement and there are no prepayment penalties, and no guarantee fees. The debt the business has elsewhere is not considered during this period. Lastly, business owners may defer payments including principal interest and fees for at least six months and possibly one year, depending on SBA Regulations that will be adopted.

Loan Forgiveness

The most remarkable aspect of the CARES Act is the potential for loan forgiveness, transforming the

loan into a grant. Thus, during the 8-week period beginning on the date a Paycheck Protection Loan is funded, a borrower will be eligible for forgiveness and cancellation of indebtedness for up to the full principal amount of such loan. The amount eligible for forgiveness is equal to the total costs incurred and payments made during the Forgiveness Period for (1) payroll, (2) mortgage interest, (3) rent or lease payments and (4) utilities.

According to the CARES Act, businesses should receive a response regarding loan forgiveness within 60 days of applying for loan forgiveness.

Application Process

Business owners should contact their local banks that are

authorized to issue SBA loans or go directly to the SBA website, www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources immediately to begin this application process, under the CARES Act.

Conclusion

The Payment Protection Loans are a once in a lifetime opportunity that will provide business owners with significant relief if they continue to operate during the pandemic, and allow them to survive and even thrive. ■

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