HR UPDATE

A bimonthly newsletter brought to you by NorthEast Talent Solutions, LLC

VOL. 2, ISSUE 3 APRIL 8, 2020

Top stories in this newsletter

The Economic Relief Programs Under the CARES Act

The Economic Relief Programs Under the CARES Act

As a supplement to the March issue of this newsletter, this issue delves deeper into the economic relief programs available through the Coronavirus Aid, Relief, and Economic Security Act (or CARES Act), signed on March 27, 2020. The CARES Act has multiple components designed to give small businesses, generally defined as companies with 500 or fewer employees, access to funds during the COVID-19 pandemic.

All of the components of the CARES Act are administered through the Small Business Administration (or SBA) with its pre-existing body of rules, regulations, and standards. Any business interested in applying for relief under the CARES Act should conference with financial and legal counselors to ensure that it is eligible for the relief it is seeking, that it completes the application correctly, and that it gathers and submits accurate supporting documentation. Initial reporting of the CARES Act may make it appear less complicated than it is. Guidance from entities such as the Small Business Administration and Treasury Department has been emerging since March 27 answering questions and further clarifying aspects of the program.

For instance, when determining eligibility for the program based on the number of employees, pay attention to the affiliation guidance published by the Small Business Administration. Under some circumstances, the Small Business Administration will merge multiple business entities together when determining eligibility for PPP relief. Also, based on SBA size standards, some companies may still qualify as a small business even if they have more than 500 employees. There are additional eligibility exceptions and special circumstances as well.

Here is an outline of the relief programs available through the CARES Act.

The CARES Act established the Paycheck Protection Program (or PPP) designed to incentivize employers to keep employees on payroll. This program makes $349 billion in fully forgivable loans available to small businesses as long as the employer keeps all employees on payroll for eight weeks following the granting of the loan and as long as the loan funds are used for payroll, rent, mortgage interest or utilities, with at least 75% of the loan funds used directly for payroll.

Loan forgiveness under this program is reduced if an employer’s full-time employee headcount declines, if salaries and wages are reduced, or if the funds are not spent by June 30, 2020. The interest rate on these loans is 1% and no collateral requirements or personal guarantees appear to be required.

These PPP forgivable loans are capped at the lesser of up to 250% of the employer’s monthly payroll cost or a maximum of $10 million. Businesses should speak to their financial and legal counselors about how to calculate their monthly payroll cost for purposes of this relief as new guidance is emerging about what can or cannot be included in that cost.

Small businesses can apply through lenders now by submitting a short PPP application. Some lenders require backup documentation with submission of the PPP application. Other lenders will request additional documentation after submission of the initial PPP application. Speak to your lender about the process before you begin. Inquire about the lender’s preparedness to accept applications and the lender’s processing time.

The PPP program opened enrollment for small businesses on April 3, 2020. Enrollment for independent contractors and the self-employed is scheduled to begin April 10, 2020.

The CARES Act also expanded the existing Economic Injury and Disaster Loan (or EIDL) Program to provide greater economic relief to businesses experiencing temporary loss of income due to the COVID-19 pandemic. Businesses seeking this type of loan can request an advance of up to $10,000 payable within three days of application which does not need to be repaid. Although each business many qualify for an advance, not all businesses will automatically qualify for the full $10,000.

An EIDL does need to be repaid but the Small Business Administration is offering long term payment provisions and an interest rate of 3.75% for small businesses and 2.75% for non-profit organizations. Traditional collateral requirements still apply but the personal guarantee requirement is waived under some circumstances.

The maximum loan amount for the EIDL program is $2 million.

Third, the CARES Act offers Express Bridge Loans to businesses who have pre-existing relationships with SBA lenders. As described on the SBA website, these businesses who have an urgent need for operating funds are supposed to be able to access $25,000 quickly while waiting for a final determination on an application for an EIDL loan. These advances will be repaid in full or in part by the EIDL loan once processed and approved.

Finally, the CARES Act offers debt relief to businesses who have existing SBA loans. For a period of six months, the SMA will pay the principal, interest and fees of businesses with current 7(a), 504 and microloans. This loan forgiveness is automatic.

Businesses interested in applying for relief under the CARES Act should visit the Small Business Administration website for further, more detailed information. The application process is more complicated than an initial glance might suggest and each business should balance the need for due diligence and planning with the speed necessary to take advantage of the available funds. Businesses can contact a lender they have an existing relationship with to discuss whether that lender can assist in the application and administrative process as well.

Lauren Murray Law Offices, LLC
www.laurenmurraylaw.com
1 International Blvd, Suite 400, Mahwah, NJ 07495
(845) 304-2685
Next edition: Anticipated May 2020

Lauren Murray
LAW OFFICES, LLC