

SBA 7(A) LOAN PROGRAM

Term	Summary
How much will be available under the CARES Act	The SBA has been authorized to make loan commitments for up to \$349,000,000,000
What sort of businesses are eligible?	<ul style="list-style-type: none">• Any business concern, private nonprofit organization, or public nonprofit organization which employs not more than 500 employees are eligible for SBA 7(a) Loans.• The CARES Act also expands the definition to allow independent contractors and sole proprietors to apply for the loan.• You will have to certify that you were negatively impacted by the COVID-19. However, there is a presumption that you have in fact been impacted.
How do I apply for this loan?	You will apply for this loan through an SBA approved lender. Start with your bank. From my discussion with SBA Lenders, they are going to prioritize their own bank customers first, as they are expecting an overload of applicants. In addition, many of the bankers with whom I've spoken anticipate that this may take months to get. Some have speculated that the EIDL grants may be issued quicker.
What is the maximum loan amount that I can get?	<p>The maximum loan amount will equal the <u>lesser of</u>:</p> <p>(1) the average total monthly "payroll cost" paid during the one-year period prior to the loan <u>multiplied by 2.5</u>; or</p> <p>(2) \$10,000</p> <p>If you get an EIDL loan prior to this loan, your maximum loan can increase by the amount of the EIDL loan (and the EIDL loan will be refinanced into the 7(a) Loan.</p>
What are the terms on the loan	<ul style="list-style-type: none">• Maximum of a 10-year term• Maximum interest rate of 4% per annum• No prepayment penalties• No personal guarantees required• No additional collateral required as security for the loan• "Express Loans" will increase from \$350,000 to \$1,000,000<ul style="list-style-type: none">○ Click here for more on Express Loans• Payments of principal and interest can be deferred for at least 6 months and potentially up to 1 year from the date of issuance of the loan.

What are “ <i>payroll costs</i> ”?	<ul style="list-style-type: none"> • Payroll costs includes the sum of all payments of compensation with respect to an employees including, salary, wages, commissions, tips, PTO, vacation time, sick pay, family or medical leave pay, health insurance premiums, retirement benefits, and payroll taxes. • For sole proprietors and independent contractors, it means any compensation that is not more than \$100,000 in one year, as prorated for the “covered period” (i.e., February 15, through June 30, 2020). It excludes, however, and W-2 wages received by the independent contractor/sole proprietor
What can I use the loan proceeds for?	<ul style="list-style-type: none"> • The loan proceeds may be used for: <ul style="list-style-type: none"> ○ Payroll costs ○ Costs related to the continuation of health care benefits; ○ employee salaries; ○ interest on mortgage payment (but not principal amounts); ○ rent; ○ utilities; and ○ any other debt obligations that were incurred before the covered period
What fees will I pay?	The SBA will be waiving fees for applications and approvals thereof.
Do I need to pledge any collateral or give personal guarantees?	No. The SBA will not require personal guarantees or security in other collateral for the loan. However, you can become personally liable if the proceeds aren’t used for authorized purposes (see above).
What are the loan forgiveness terms?	<p>Each loan recipient will be eligible for forgiveness of the loan <u>up to</u> an amount equal to the sum of the following costs incurred during the “covered period” (i.e., February 15, through June 30, 2020) (<u>but subject to the limitation below</u>):</p> <ul style="list-style-type: none"> • Payroll costs • Interest on mortgage obligations (but not amounts allocated to principal) • Rent • Utilities (including electricity, gas, water, transportation, telephone, internet access, in each instance where service began before 2/15/20). <p>The loan forgiveness cannot exceed the principal (at a minimum, you’ll still have to pay interest).</p>

	You will need to provide documentation of these expenses.
How is the actual loan forgiveness amount determined?	<p>The amount of the loan that is subject to forgiveness can be reduced if:</p> <ul style="list-style-type: none"> • The number of employees employed during the “covered period” (i.e., February 15, 2020 through June 30, 2020) is less than either the period before (i.e., January 1, 2020 through February 29, 2020) or during the same period last year (i.e., February 15, 2019 through June 30, 2019). • Total salaries and wages paid to an employee during the “covered period” (i.e., February 15, 2020 through June 30, 2020) is less than 75% of the salary or wages of the employee during the full quarter prior to the “covered period”.
But I already laid off, furloughed, or cut salaries of my employees. Can I still qualify for loan forgiveness?	Yes. There is an exemption to these reduction in forgiveness if you restore the employees employment or their cut in compensation by June 30, 2020.