

# Navigate the CARES Act for Small Businesses

## **The Coronavirus Aid, Relief, and Economic Security (CARES) Act**

The CARES Act was enacted on March 27<sup>th</sup>, to provide immediate emergency relief to small businesses that are facing economic disruptions due to the Coronavirus (COVID-19). The Act created a forgivable loan program and an emergency grant program for small businesses and eligible nonprofits. To help navigate these new federal programs and access accurate information, please find below a compilation of resources.

Click [here](#) to access the Small Business Guide to the Coronavirus, which provides detailed information about each CARES program.

The CARES Act provided \$275 million for SBA's Resource Partners to provide vital guidance and expertise to small business owners and entrepreneurs impacted by COVID-19. [Small Business Development Centers](#), [Women's Business Centers](#), and [SCORE](#) counselors are available to help guide small businesses with their specific questions about their eligibility and the application process. To connect a small business with a local resource partner for COVID-19 advice please click [here](#).

## **SBA COVID-19 Programs**

Click [here](#) to learn more about SBA's programs and how to apply.

## **Paycheck Protection Program**

The Paycheck Protection Program (PPP) provides up to \$10 million in federally guaranteed, low-interest loans, to small businesses and eligible non-profits. Importantly, the loans can be 100% forgiven if borrowers rehire and retain employees in the 8 weeks following receipt of the loans.

On April 2, the Small Business Administration issued an [interim final rule](#) on the Paycheck Protection Act. The interim final rule lays out additional guidelines and requirements for the PPP. The rule sets the interest rate on loans at 1%, establishes a two-year maturity, (notwithstanding the 10-year maturity allowed by the CARES Act) and institutes a new 75-25 forgiveness rule. The forgiveness rule states that 75% of the forgiven amount must be used for payroll costs and not more than 25% of the forgiven amount may be used for nonpayroll costs, such as, rent, utilities and other financial losses. Additional SBA guidance on the loan forgiveness provision is expected soon. Click [here](#) to access Treasury Department fact sheet on the frequently asked questions about the Paycheck Protection Program Loans.

For additional Treasury Department guidance, including the supplemental guidance on the affiliation rules for the Paycheck Protection Program, please click [here](#). Under the CARES Act, the affiliation rules were waived for businesses that: fall under NAICS code 72; are franchisees; or are businesses that receive/d funding from a Small Business Investment Company.

The SBA also waived the affiliation rules for faith-based organizations. To learn more, about faith-based organizations' eligibility to participate in the Paycheck Protection Program and Economic Injury Disaster Loan (EIDL) Program, click [here](#) for SBA's Frequently Asked Questions Fact Sheet.

### **Economic Injury Disaster Loans**

The SBA's EIDL program provides small businesses with working capital loans of up to \$2 million to help overcome a temporary loss of revenue due to COVID-19. Small businesses and eligible nonprofits can request an emergency advance up to \$10,000, which by law must be disbursed in three days and does not need to be paid back. To apply click [here](#).

### **Federal Reserve and the Paycheck Protection Program**

On April 6, the Federal Reserve issued a [statement](#) that it would establish a lending facility for banks providing Paycheck Protection Program loans to small businesses, incentivizing smaller banks to participate in the program. The Federal Reserve would purchase loans from banks and lenders, freeing up cash to issue new loans. Other actions can be found [here](#).

On April 9, the Federal Reserve took additional steps to support the economy by injecting another \$2.3 trillion in financing into businesses and state, county, and local governments. To ensure credit flows to mid-size businesses, the Federal Reserve will purchase up to \$600 billion in loans through the Main Street Business Lending Program to help medium size businesses. Loans ranging between \$1 million and \$25 million will be offered to businesses with up to \$10,000 employees and \$2.5 billion in revenues. To learn more click [here](#).

### **Implementation of SBA's COVID-19 Programs**

On April 7, House Small Business Committee Chairwoman Nydia Velázquez sent a [letter](#) to SBA Administrator Carranza expressing concern over the implementation of the new law and reports that underserved microbusinesses, small businesses in urban and rural parts of the country, are being shut out of the program. Particularly troubling is SBA's lack of clear guidance and information for small businesses. Chairwoman Velázquez called on the SBA to provide immediate and clear responses to several serious concerns.

On March 12, Representative Finkenauer, Chairwoman Velázquez, and Representative Golden sent a letter to the SBA Administrator Carranza about SBA's planned implementation of small business loans authorized under the CARES Act. Of particular concern is the SBA ability to effectively present loan information to the public while simultaneously providing loans quickly to small businesses.

On March 12, Representative Golden sent a [letter](#) (led by Representative Finkenauer) and joined by Chairwoman Velázquez) to SBA Administrator Carranza to request a detailed plan to administer the EIDL program post-COVID-19. They specifically asked how impacted small businesses can apply for EIDLs, when EIDLs will begin being disbursed, and what SBA's outreach plan is for impacted small businesses. They also inquired about SBA's plan to expand their staff to manage these loans.

On March 16 and April 8, Chairwoman Velázquez and Subcommittee Chairwoman Judy Chu sent letters to Administrator Carranza urging the SBA to expedite a provision in the CARES Act, requiring the agency to provide resources and services in the 10 most commonly spoken languages, other than English. SBA has struggled to implement the new relief programs, and if the agency cannot quickly develop services and materials in the languages required by the CARES Act, thousands of business owners that conduct business in foreign languages, or have limited English proficiency, will be left behind.

On March 18, Representative Golden and Representative Schneider sent a [letter](#) (joined by 12 other non-SBC Democrats) to SBA Administrator Carranza expressing concern regarding the impact the COVID-19 outbreak would have on the nation's small businesses and nonprofits. They specifically encouraged Administrator Carranza to offer no-interest loans and more flexible terms on working capital loans, including EIDLs. They emphasized the importance of preventing burdensome interest payments in the future.

On March 20, Representative Golden sent a [letter](#) (joined by Representative Chellie Pingree) to Speaker Pelosi setting forth areas of concern regarding the COVID-19 outbreak based on feedback from Mainers. They focused on boosting the nation's public health infrastructure, including the need for more testing and personal protective equipment (PPE) for healthcare professionals. They also encouraged Speaker Pelosi to adopt the House Small Business Committee's proposal to provide "immediate zero interest, zero fee loans" to small businesses and organizations impacted by the COVID-19 outbreak.

On March 23, Representative Golden sent a [letter](#) to Speaker Pelosi, Leader Hoyer, and Appropriations Committee Chairwoman Nita Lowey to set forth additional actions Congress should take in response to the COVID-19 outbreak. The recommendations prioritized enhancements to the country's public health infrastructure and small business capital access programs. Mr. Golden also called for a series of policies designed to support working-class families, the elderly, and other vulnerable members of the community.

On March 27, Representative Jason Crow led a letter to SBA Administrator Carranza expressing concern over the implementation of the CARES Act and expressed a desire for clear guidance and information for small businesses. Mr. Crow and other Members of Congress called on SBA to provide immediate and clear guidance and regulations to support small businesses during this troubling time.

On March 31, Representative Jason Crow sent a letter to SBA Administrator Carranza and Treasury Secretary Mnuchin urging them to waive the SBA affiliation rules for small businesses that would otherwise qualify for SBA resources, including the 7(a)-loan program. While the CARES Act waived affiliation rules for certain business sectors, Mr. Crow and other Members of Congress called for the SBA to waive affiliation rules for our nation's small businesses that would otherwise meet the revenue and employee count thresholds, in order to create less confusion and streamline support for small businesses.

On April 1, Representative Finkenauer sent a [letter](#) to SBA Administrator Carranza about SBA's planned implementation of CARES Act.

On April 2, Representative Davids sent a [letter](#) to the Secretary of Treasury Mnuchin and the SBA Administrator Carranza inquiring about the implementation of the SBA provisions of the CARES Act. Ms. Davids called for clarification about how the SBA and its lending partners will expand their capacity to accommodate the dramatic increase in demand for its services and how they plan to quickly release loans to applicants.

On April 2, Representative Antonio Delgado sent a bipartisan [letter](#) to SBA Administrator Carranza expressing concern over the implementation of the new law and reports that agricultural enterprises are being shut out from the EIDL program. The letter expressed the intent of Congress that agricultural enterprises should be eligible for both the expanded EIDL program and other SBA programs in the CARES Act. Mr. Delgado and several other members of Congress, including Chairwoman Nydia Velázquez and House Agriculture Chairman Collin Peterson, called on SBA to ensure that agricultural businesses and farmers are eligible to access the EIDL program, and the other small business provisions in the CARES.

On April 8, Representative Davids, along with 37 other members of Congress, sent a [letter](#) to the Secretary of Treasury Mnuchin and the SBA Administrator Carranza expressing concern that the SBA's interim final rule is not adhering to congressional content regarding tribal businesses. Representative Davids is calling for a supplementary interim final rule for the PPP clarifying that any tribal business under 500 employees is eligible for loans.

On April 8, Representative Evans sent a letter to the House and Senate leadership expressing concern over large banks and how these entities are precluding small lenders and the vulnerable small businesses they serve from accessing PPP funds. The letter requests that the next COVID-19 stimulus package include language mandating lenders participating in the PPP to prioritize businesses owned by minorities, women, veterans, and those in underserved and rural markets; and that a portion of PPP funding is reserved for small community lenders.

On April 8, Representative Crow sent a letter to SBA Administrator Carranza urging that the SBA release final guidance on the EIDL grants as soon as possible. Confusion was created by SBA's Massachusetts District Office on April 6, when that Office sent a bulletin stating EIDL grants would begin to be distributed this week and the advances would be limited to \$1,000 per employee up to \$10,000 max. Mr. Crow and other Members of Congress expressed concern that this is against Congressional intent as there is nothing in the CARES Act that allows SBA to place a restriction on the dollar amount per EIDL grant based on number of employees.

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