CARES Act Expands Federal Small Business Loans, Can Support Aging Services

The Coronavirus Aid, Relief, and Economic Security (CARES) Act signed on March 27 provided about $2 trillion in federal dollars in response to the COVID-19 pandemic. About $350 billion of these funds are directed to provide loans to small businesses, with opportunity for loan recipients to receive forgiveness and not have to repay the amount borrowed.

This article provides a summary of the small business loan provisions included in the CARES Act and potential next steps for aging services providers.

The Paycheck Protection Program

The Paycheck Protection Program is the primary small business loan program in the CARES Act. Among eligible entities are 501(c)(3) organizations with fewer than 500 employees. In other word, not for profit aging services providers are able to receive these funds, provided they have 500 or fewer employees. This threshold includes all full- and part-time employees and those with other statuses (e.g., per diem/TAR). Not-for-profit entities seeking loans through this program are subject to SBA’s affiliation standards, which prospective borrowers should review in detail.

Small entities are allowed to borrow up to 250% of their average monthly payroll costs (averaging payroll costs for each month in the year preceding the loan date). If an adult day services provider, for example, had an average monthly payroll of $100,000, it could access up to $250,000 in loans through this program.

Certain payroll costs are excluded, including payroll taxes and compensation for higher wage employees. Loans through this program are forgivable if a small entity maintains its payroll over an 8 week period from February 15-June 30, 2020. Loans can be forgiven for funds used to cover payroll, rent, mortgage interest and utility bills. If an entity has already laid off staff, they could be eligible for forgiveness if they use loan funds to re-hire. If after 8 weeks payroll is maintained, the loan is forgiven. If a borrower has unforgiven loan principal (e.g., if an organization receives a loan but does not maintain its payroll), the maximum interest rate is 4% and the maximum term is 10 years. Actual interest rates and terms will vary from loan to loan- the 4% and 10 year parameters are maximums.

Organizations interested in these loans should reach out to banks in their area. Any bank that participates in the SBA’s 7(a) lending program, of which thousands of banks across the country do, is eligible to provide loans via the Paycheck Protection Program. Further guidance for those banks is forthcoming as of March 30 and we will provide updates where applicable.

In the meantime, several banks have established webpages about the new program, including PNC and Chase.

Some additional documents may be helpful for LeadingAge members as they consider next steps:

- [U.S. Senate Small Business Committee Paycheck Protection Program FAQs](#)
- [U.S. Chamber of Commerce Small Business COVID-19 Emergency Loan Guide](#)
- [Small Business Administration Paycheck Protection Program Webpage](#)
Economic Injury Disaster Loan

In addition to the Paycheck Protection Program, SBA also expanded the Economic Injury Disaster Loan (EIDL) program, in which borrowers receive funds directly from SBA. These loans are generally not forgivable, but may carry a longer term and/or lower interest rate than the Paycheck Protection Program loans. For not-for-profit organizations, the interest rate for these loans is 2.75%. SBA set up a new website with a streamlined application, here: https://covid19relief.sba.gov. Some key items that must be included in this loan application include:

- Gross Revenues for the Twelve (12) Month Prior to the Date of the Disaster (January 31, 2020)
- Non-Profit Cost of Operation for the Twelve (12) Month Prior to the Date of the Disaster (January 31, 2020)
- Number of Employees (As of January 31, 2020)
- Date Business Established
- Description of business activity (e.g., which services an organization provides)

Borrowers may also be eligible for a $10,000 emergency fund award that may be forgivable.

If an organization took out an EIDL previously and wants to pursue a Paycheck Protection Program loan to be eligible for loan forgiveness, they may be able to refinance the EIDL in consultation with their bank.