



# Cares Act – SBA Stimulus Program Options



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# SBA Economic Injury Disaster Loan (EIDL)

- Borrowings up to \$2MM – To provide financing to pay operating expenses such as fixed loan payments, payroll, rent, and utilities for the next 3-6 months depending upon the industry.
- Eligibility - Available for both profit and non-profit entities located in recognized federal disaster areas (MA is eligible).
- Terms and Collateral – For profit entities: interest rates are set at 3.75%, and 2.75% for non-profit entities
- Apply directly at [SBA.gov](https://www.sba.gov)
- A feature is the option for a \$10,000 advance grant, which is forgivable. If applicants take out a PPP Loan this will be netted out from any forgiveness.

# Express Bridge Loans

- Express loans allow small businesses eligible for EIDL who currently have a business relationship with an SBA Express lender to access \$25,000 with reduced paperwork and processing time.
- The Express Loan has a rapid turnaround and will be repaid from the proceeds of the EIDL Loan. Any amounts not repaid from the EIDL loan will be converted to an up to seven year term loan with interest rates of up to Prime+ 6.5%

# Paycheck Protection Plan (PPP)

- The Paycheck Protection Plan (PPP) is designed to provide 8 weeks of payroll and to assist with specific limited operating expenses.
- A key provision is that payroll and allowable expenses (e.g., mortgage interest/rent, utilities) incurred in the (8) week period after the loan is made is eligible for tax free forgiveness.
- Eligibility- For profit and non-profits, tribal organizations, veteran groups (employing less than (500) individuals). Exceptions are available for the restaurant and hotel industry.
- Maximum loan – (12) month average applicant payroll costs times (250%) or \$10MM which ever is less.

# Paycheck Protection Plan (PPP – Continued)

- For seasonal employers or businesses not in existence as of 6/30/2019 the maximum loan amount calculation will be different
- Eligible costs include – salary, wages, cash tips, state and local taxes assessed on payroll and employee benefits including employer paid health insurance and retirement benefits.
- Exemptions – Salary and wages are capped at \$100,000 annual compensation per employee. Wages paid to foreign individuals or for qualified sick or family leave for which a credit is allowed under the families first Coronavirus Response Act

# PPP Continued

- Allowable loan Proceeds – Payroll costs, health insurance, payments of mortgage interest, rent, and utilities in effect prior to 2/15/2020.
- Collateral – This is a non recourse loan as long as the loan proceeds are used for authorized expenditures.
- Guarantee – No Personal guarantee is required.
- Payment Deferral – First payment is deferred for (6) months. Interest will accrue, but is eligible for forgiveness.
- Interest Rate and Term – interest will be at (1%) and must be repaid over a (2) year term
- Fees – No SBA fees
- Total Program Appropriation - \$350 billion dollars

# Forgiveness is Possible – PPP Loan Continued

- The loan forgiveness amount is based upon the total cost for payroll, mortgage interest, rent, and utilities made during the (8) week period following the loan disbursement date.
- Amounts forgiven are not a taxable event but not more than (25%) of the forgiven amount can be for non-payroll costs.
- Forgiven amount will be reduced if average FTE's decline as a result of the Covid-19 crisis and are not brought back "quickly" or for reduction in total salary or wages for an employee in excess of 25% for the most recent quarter
- Employees laid off but rehired by 6/30/2020 are eligible under the program.



# But Wait There's More.....

- Existing SBA loans are also addressed with the Cares Act – The SBA is offering a six-month waiver of payments for all SBA loans. This is not a deferral, the government will be making the payments on these loans for the next (6) months starting with the next payment due after the bill was passed. Note that auto payments will need to be suspended.
- Payroll Tax Deferral Credits may be available – Check with your CPA or tax professional.
- Employee Retention Credit – A refundable tax credit for 50% of all wages paid by employers to employees limited to the first \$10,000 paid to each employee. Again check with your CPA or tax professional for details and exemptions.

# Additional Guidance and Resources

- <https://www.avidiabank.com/personal/coronavirus-updates>
- [Direct link to Avidia Bank's PPP Online Application: Paycheck](#)
- [Paycheck Protection Program \(PPP\) Application 4-3-20](#)
- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>
- [Program Details from the SBA: https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance](https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance)
- <https://www.sba.gov/document/policy-guidance--ppp-interim-final-rule>
- Please understand that the information provided is informational only and is not the definitive rules, which are changing as the SBA, US Treasury, and the federal government provide new and additional guidance.

# Contact

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with additional questions or to inquire about applying.