

## Client Alert

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

On Wednesday, March 25, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was unanimously approved by the Senate in response to the Coronavirus (COVID-19) pandemic. The legislation will now move to the House, where Representative Steny Hoyer has stated that it will come to the floor on Friday, March 27, 2020. President Trump has indicated that he will sign the legislation if and when it is approved by the House.

The CARES Act would, among other things, provide significant financial relief for small businesses, individuals and families through various loans and aid programs, including nearly \$350 billion for Small Business Administration (SBA) loan guarantees and subsidies and additional funding for SBA resources.

The **Paycheck Protection Program** under the CARES Act would provide for loans of up to \$10,000,000 with potential forgiveness. In addition, certain other sources of financing are currently available, including the following:

- **Express Bridge Loan.** Loans up to \$350,000 for disaster-related purposes (which would be increased to \$1,000,000 under the CARES Act).
- **Economic Injury Disaster Loans.** Loans up to \$2,000,000 per small business.
- **Emergency Advances.** Loan advances up to \$10,000, which may be forgiven.
- **New York City Programs.** Interest-free loans up to \$75,000; payroll grants up to \$27,000.
- **New Jersey Microloan Program.** Loans up to \$50,000.
- **Private Sector Programs.** Loans from large companies such as Facebook and Amazon.

The Paycheck Protection Program and such other sources of financing are discussed below.

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Please call us if you have any questions about any of the available financing programs or would like assistance filing an application.

### Paycheck Protection Program and Existing SBA Programs

The SBA currently makes a [variety of financing options](#) available to small businesses under its 7(a) program. 7(a) loans are typically made available to businesses with fewer than 500 employees, including sole proprietorships, independent contractors and other self-employed individuals.

The stimulus provided for in the CARES Act includes nearly \$350 billion in funding for a Paycheck Protection Program (PPP) that will provide small businesses with zero-fee loans of up to \$10 million. The PPP provides for forgiveness of these loans for up to eight weeks of average payroll and other costs, to the extent that the business retains its employees and salary levels. To the extent not forgiven, principal and interest on these loans will be deferred for up to one year and all borrower fees will be waived. It is anticipated that most if not all FDIC-insured banks will be able to make and approve such loans.

Various other types of loans continue to be made available under the SBA's 7(a) program, and can be used in conjunction with PPP loans and other financial assistance provided for in the CARES Act.

The SBA Express program, as modified by the CARES Act, will make up to \$1,000,000 available to businesses through an expedited review process (the current limit is \$350,000). The SBA's [Express Bridge Loan](#) pilot program allows businesses with an existing relationship with an SBA Express Lender to access emergency funding for disaster-related purposes, and can be used by such businesses to bridge the gap while direct SBA disaster loan applications are being processed.

CAPLines is an umbrella program which helps small businesses meet cyclical working capital needs. The Veterans Advantage program provides discounted rates to businesses owned by veterans. Several additional programs exist through which small business exporters can receive government-backed funds from lenders, including the Export Express program, the Export Working Capital Program, and International Trade loans.

### Economic Injury Disaster Grants

As of last week, the SBA is working with state governments to provide emergency funding to small businesses impacted by the COVID-19 outbreak. The CARES Act provides \$562 million to the SBA to be loaned to small businesses in the form of Economic Injury Disaster Loans (EIDL). Businesses in all fifty states and many U.S. territories can now apply for a low-interest EIDL of up to \$2 million. Loans to small businesses are being made at interest rates of 3.75% for small businesses and 2.75% for nonprofit organizations with terms extending up to thirty years. These SBA loans may be used to service debt obligations incurred before March 1, 2020, pay employee salaries and paid medical or family leave and cover other operating costs.

Eligible businesses that have applied for an Economic Injury Disaster Loan ([EIDL](#)) may request an emergency advance on that loan of up to \$10,000, which the SBA is required to distribute within three days, subject to eligibility, which need not be repaid even if the business is subsequently denied an EIDL.

A business that receives an EIDL prior to June 30, 2020 as a result of the COVID-19 pandemic will still be eligible to apply for PPP financing.

### **New York City Small Business Continuity Funds**

New York City is offering businesses with fewer than 100 employees the ability to apply for up to \$75,000 in interest-free loans if the business has lost at least 25% of its revenue.

### **NYC Employee Retention Grant Program**

A New York City small business with four or fewer employees that can demonstrate that it has lost at least 25% of its revenue as a result of COVID-19 can apply for a grant of up to \$27,000 to cover up to 40% of its payroll expenses over a two-month period.

Applications for the New York City programs can be found [here](#).

### **New Jersey Economic Development Authority**

The New Jersey Economic Development Authority's ([NJEDA](#)) Microloan program was not created in response to the COVID-19 pandemic, but the state recommends that businesses affected by the outbreak apply for assistance. In order to be eligible for a Micro Business Loan the for-profit business must be legally registered to do business in New Jersey, with a location within the state, cannot have an annual revenue in the most current fiscal year that exceeds \$1,500,000 and must have ten (10) full time employees or less.

Qualifying businesses can borrow up to \$50,000 for a ten-year term at a two percent interest rate, and payments can be deferred for the first three years.

For larger businesses and development businesses, the NJEDA has various additional programs that should be considered at this time. These programs have specific requirements for applicants, but may be applicable to some companies. Programs include the Brownfields Loan Program, Grow NJ Assistance Program, Economic Redevelopment and Growth Program. Manufacturing businesses may want to consider available programs such as the Premier Lender Program, New Jersey Advantage Program and Bond Financing.

### **Private Sector Loans**

As the effects of the COVID-19 outbreak become more significant, large companies are rolling out private financing programs for small businesses. Facebook has committed up to \$100 million in cash grants and advertising credits to up to 30,000 small businesses.

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Amazon is making financing available to small businesses located in the State of Washington. As the disaster evolves, similar programs will likely be made available by other large companies.

To find contact information for a specific Sills Cummis attorney, please [click here](#) or visit <http://www.sillscummis.com/professionals.aspx>

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If you would like additional information, please contact:

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