

UPDATES AS OF 04/01/2020 IN RED:

Please see highlighted updates below. Old text from our previous release that has been superseded has been struck through.

SBA Forgivable Loans under the CARES Act

As part of the CARES Act passed and signed into law 03/27/2020 the Small Business Administration (SBA) section 7(a) loan program was expanded to assist small businesses in weathering the COVID-19 pandemic. The following is a high-level overview of the revised 7(a) program.

Please note that this is a preliminary analysis and subject to change as further guidance is issued by the regulating agencies. The SBA has 30 days to issue additional guidance and regulations regarding this loan program. We will update this information as the guidance becomes available.

The current borrowers guide the Treasury released can be found [here](#).

LOAN ADMINISTRATION

It is currently anticipated that these loans will be administered through approved local lenders and SBA partners rather than directly through the SBA. We advise you contact your financial institution now to see if they are, or plan on, being an approved SBA lender for the 7(a) loan program. The SBA also provides a website to match you with possible lenders:

<https://www.sba.gov/funding-programs/loans/lender-match>

ELIGIBILITY

Generally, businesses, **501(c)(3)** nonprofits, veteran organizations, or tribal business concerns with 500 or less employees, including sole proprietors with employees or independent contractors that the proprietor issues 1099-MISC to for services.

CERTIFICATION

To receive a loan, you will need to make a certification that:

1. The loan is necessary to support your operations given the current economic conditions
2. The funds will be used for payroll, rent, mortgage payments, and/or utilities
3. You do not already have an existing duplicate application pending for a section 7(a) loan for the same amounts and purpose
4. From 02/15/2020 – 12/31/2020 you have not received any loans under section 7(a) for the same amounts and purpose

USE OF LOAN PROCEEDS

Loan proceeds received under these loans must be used as outlined below. The period of eligible expenses is from 02/15/2020 – 06/30/2020.

Allowable Expenses – In addition to traditional allowable expenses under the 7(a) loan program, the following expenses are allowed under the CARES Act:

1. Payroll including salaries, wages, commissions, cash tips, paid time off, and severance.
2. Employee benefits consisting of group health benefits such as premiums, retirement benefits, and state or local payroll taxes.
3. The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net, earnings from self-employment, or similar compensation and that does not exceed \$100,000 in one year.
4. Rent
5. Utilities
6. Interest payments on mortgages or other debt obligations incurred prior to 02/15/2020.

Excluded Expenses:

1. For employees whose annualized salary would be in excess of \$100,000, the prorated amount of excess compensation
2. Compensation for employees whose principal place of residence is outside of the United States
3. Social Security and Medicare Taxes
4. Railroad Retirement Tax
5. Income Tax
6. Any amounts for which you have claimed a credit or plan on claiming a credit under the Expanded FMLA or Emergency Paid Sick Leave Acts.

MISCELLANEOUS TERMS

Your first payment on the section 7a loan will be deferred, including interest, fees, and principal, for ~~no less than six months.~~ **Interest will continue to accrue during this time.** ~~The maximum period of deferment will be one year.~~

You will not be required to personally guarantee or provide collateral for the loan.

After the initial deferral period, terms will be at an interest rate of ~~no more than 4~~ **0.5%** percent and a repayment period of ~~no more than 10 years~~ **2 years**.

The maximum amount you can borrow will be approximately equivalent of your average monthly payroll multiplied by 2.5, subject to the designated calculations applicable to you.

FORGIVENESS

You may be eligible to have a portion of your loan forgiven. The amount eligible for forgiveness is equal to the amounts paid **for the 8 weeks following the date you receive your loan** ~~02/15/2020 through 06/30/2020~~ for payroll costs, eligible mortgage interest, rent for rental agreements signed prior to 02/15/2020, and utilities expense for utilities established prior to 02/15/2020. (See definitions of payroll and utilities in allowable expense section above.)

The amount of forgiveness will be reduced if you have a reduction in the number of full-time equivalent employees or you have or a reduction in salaries and benefits from your initial calculation.

TAXABILITY OF FORGIVENESS

The amount of the loan forgiven will not be taxable as income.

This communication is being made based on Martin Hood's professional judgement and analysis of COVID-19 relief provisions, including, but not limited to, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Families First Coronavirus Response Act (FFCRA). It is at least reasonably possible that final regulations and guidance promulgated related to subjects addressed within may differ significantly from those regulations and guidance available at the time this communication was made. It is the sole responsibility of the recipient to evaluate the adequacy of this communication and how this communication is applicable to the recipient's specific facts and circumstances. The recipient is solely responsible for selection of any relief provisions, as well as for maintaining compliance with all the applicable terms and conditions of such relief provisions.