

## Summary of SBA provisions in CARES Act

To our clients and friends

Since there seems to be A LOT of misinformation spreading all over the internet everywhere, let us give you the accurate version. Please trust us. We have verified with reliable sources to make sure our interpretations are accurate. Here we go:

### Summary of SBA provisions in CARES Act

7(a) - can apply with SBA approved lender. These are "normal" (non-PPP) SBA loans for businesses and for real estate. There's certification language in the CARES act that prevents duplication with the PPP. Anyone with an existing 7(a) loan prior to the enactment of the CARES Act will have their loan paid for, P&I, for the 6 months following the enactment of the Cares. This is in section 1112 of the bill. (Nobody discussing this). These are generally tedious applications, but perhaps will be more streamlined by lender. We do expect there may be a backlog to obtain in the coming months.

7(b)(2) - Emergency impacted disaster loan (EIDL) - Covered period 1/31/2020-12/31/2020. Emergency grant is available, \$10K max (will reduce forgivable amount under PPP). Any eligible small business can apply. That is done by applying online <https://www.sba.gov/disaster/apply-for-disaster-loan/index.html>. NOT with local banks. Any existing 7(b)(2) Loans can be refinancing with PPP below and will be deferred for a year. Any new 7(b)(2) loans obtained from now until 12/31/2020 will have payments deferred for a year. It is NOT necessary to apply for this in order to apply for PPP loan contrary to popular belief. This is a loan that takes up to 5 weeks to process. It has an immediate grant of \$10,000 with it that reduces forgivable amount under PPP. This is where people are completely missing the boat. Unless they need the \$10,000 within the next 30 days, wait to do this one. It will still be available, if needed until 12/31/2020. This is the one that has people really confused. This is all in section 1110 of the bill.

7(a)F(36) - paycheck protection program (PPP). Covered period 2/15/2020-6/30/2020. Any eligible small business can apply. SBA to issue guidance within 30 days and these are applied for with local lending institutions who choose to participate in the program. Applications for loans are not yet available. Cares Act gave the SBA 30 days maximum to issue guidance, could be sooner. This is section 1102 of the bill. Don't call your bank about this right now, they are working to get guidance as well.

Any business that has an immediate need should apply for the EIDL. Also, those that may not be labor driven, should also apply for the EIDL. The PPP loans are derived from a payroll factor, so if you have little to no employees and will need funds, apply for the EIDL. If you think you will need help with amounts in excess of the PPP in June/July, apply for the EIDL.

So unless you have an IMMEDIATE need to obtain \$10,000 within the next 30 days, there is no need to do ANYTHING until banks are ready to start processing the PPP loans. That said, getting monthly payroll and rent/utilities/mortgage figures handy, as well as other backup documentation required for PPP loans could be advantageous in the meantime. If you obtain the \$10,000 grant from the EIDL this will reduce the forgivable amount of the PPP loan above, preventing you from obtaining a double benefit.

There are mistakes in the language of the bill so now comes the 30-day window to get these holes fixed.

What should you do next?

If still in business and production hasn't changed, keep paying, and all eligible businesses should apply for PPP loan when application is available. This is done with local lending institutions who choose to participate. Applications for this should be available in the coming weeks. The banks are working as hard as we are making sure they are there to help. Let them keep working, help is on the way. Give them some time, please.

If business is closed - lay off now (if haven't already), employees apply for unemployment, apply for PPP when application available with local bank and intend to hire back around May 4, whether working or not. This includes self-employed individuals who are currently out of work.

If partially operating or slowly losing production - lay off as many as you need to for April, have them collect unemployment benefits, with intent to hire back full time effective 5/4 even if not working. Keep essential staff and keep paying, others need to be on unemployment.

Unless there is an immediate need for \$10,000 grant, there is no need to apply for the EIDL (Disaster loan). If you get the \$10K grant that is offset if they get the PPP loan. Contrary to what others are saying, the disaster loan will still be available if needed. There's a ton of misinformation on this. Please trust me. And you do NOT have to apply for the disaster loan to be eligible for the PPP loan. Lot of misinformation on this as well.

This is the best we have after a tireless weekend. And this is accurate information. Please refrain from listening to others, I beg you. This is the single largest bill in history. There are a LOT of folks interpreting this differently. I saw no less than 20 different takes on various websites yesterday. I have pieced this puzzle together and it's quite the puzzle. We are correct and if I'm later proven wrong, I apologize. I'm trying to help.

Now I want to get off the financial part and get personal with everyone. I have viewed my job since this all began as what a physician client asked me to do-"Eric, your profession has to help calm the "economic panic". That's all I'm trying to do. Keep you as informed as

possible because we need to let the real heroes fight this battle. I beg everyone from the bottom of my heart to please stay home if you can. This is a \$2 trillion dollar bill that's to help save us from ourselves. Our families lives are not worth the risk. I have family, friends, clients everyone is affected. This is not a stimulus bill, it's a bill to fight an economic/health crisis. Everyday I get up and feel like it's Groundhog Day, and that's ok. I'm doing my part to help fight this awful virus spreading everywhere daily.

We are all in this together. But we need to let the real heroes in this battle, our medical "warriors" fight this for us while we do our jobs as business owners and keep ourselves and our employees safe at home, if at all possible. Each one of us needs to do our part to prevent spread within our own communities. Just because it's not in yours yet, it may end up there. We stay in by utilizing the benefits provided in this bill, and there a lot. And they are there to ensure all of us are taken care of while we get out of the way. We will survive this, but only if we all play our part. I'm doing mine and will continue to do so, I ask you to do yours.

If I've upset anyone by my words, I apologize but this needs to be said.

Stay safe everyone.

Sincerely,

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