

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

## **Summary**

**March 26, 2020**

Congress has reached a bipartisan compromise on a \$2 trillion economic stimulus package, the Coronavirus Aid, Relief, and Economic Security (CARES) Act to address the impact of COVID-19 on the nation.

Division A of the bill provides \$377 billion in support to small businesses. CARES include:

### **Paycheck Protection Program (PPP)**

- \$350 billion to provide small businesses with zero-fee loans of up to \$10 million.
- Forgiveness of up to 8 weeks of average payroll and other costs if the business retains its employees and their salary levels.
- All borrower fees are waived and principal and interest are deferred for up to a year.
- Can be used in coordination with other COVID-financing assistance.
- Sets a cap on how much a bank can earn to process loan applications.
- Prioritizes underserved borrowers such as those in rural areas, minorities, women and veterans.

### **Emergency Economic Injury Grants**

- \$10 billion to provide an advance of \$10,000 to small businesses and nonprofits that apply for an SBA economic injury disaster loan (EIDL) within three days of applying for the loan.
- Note: EIDLs are loans of up to \$2 million with interest rates up to 3.75 percent for companies and up to 2.75 percent for nonprofits. They also include principal and interest deferment for up to 4 years and can be used to for payroll and other operating expenses.

- The EIDL grant does not need to be repaid.
- Eligible grant recipients must have been in operation on January 31, 2020. The grant is available to small businesses, private nonprofits, sole proprietors and independent contractors, tribal businesses, as well as cooperatives and employee-owned businesses.
- A business that receives an EIDL between January 31, 2020 and June 30, 2020 as a result of a COVID-19 disaster declaration is eligible to apply for a PPP loan or the business may refinance their EIDL into a PPP loan. In either case, the emergency EIDL grant award of up to \$10,000 would be subtracted from the amount forgiven in the payroll protection plan.
- \$562 million to ensure that SBA has the resources to provide Economic Injury Disaster Loans (EIDL) to businesses that need financial support.

### **Debt Relief for Existing and New SBA Borrowers**

- \$17 billion to provide immediate relief to small businesses with standard SBA 7(a), 504, or microloans.
- SBA will cover all loan payments for existing SBA borrowers for six months, including principal, interest, and fees.
- Relief also be available to new borrowers who take out an SBA loan within six months after the President signs the bill.
- Allows banks to extend the duration of existing small business loans beyond existing limits
- Helps small business lenders assist more new and existing borrowers by providing a temporary extension on certain reporting requirements lenders must make.
- While SBA borrowers are receiving the six months debt relief, they may apply for a PPP loan that provides capital to keep their employees on the job. The six months of SBA payment relief may not be applied to payments on PPP loans.

- Includes a permanent fix that allows SBA to waive fees for veterans and their spouses in the 7(a) Express Loan Program, regardless of the President's budget. Under current law, SBA may only waive fees on 7(a) Express loans to veterans when the President's budget does not project a cost above zero for the overall 7(a) loan program.

### **Paid Leave for Government Contractors**

- Provides paid leave for employees working on small business contracts with the federal government.
- Allows agencies to modify the terms of a contract to reimburse small business contractors for the cost of providing paid leave, including sick leave, to employees or subcontractors unable to perform work on-site due to a facility closure and cannot telework.

### **Resources for Business Counseling Services**

- Recognizes the need for reliable access to counseling and mentorship services due to the economic impacts of COVID-19.
- \$275 million in grants to Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs), and Minority Business Development Agency's Business Centers (MBDCs), to provide mentorship, guidance and expertise to small businesses. Allow SBDCs, WBCs, and MBDCs to hire staff and provide programming to help small businesses and minority-owned businesses respond to COVID-19.

## **Cares Act Oversight**

An oversight committee has been formed to safe guard the integrity and use funds associated with the Cares Act.

- Creates a new position, Special Inspector General for Pandemic Recovery. This position has subpoena power to investigate the sale of loans, loan guarantees, and any other investments made by the Treasury.
- Creates a five-member Congressional Oversight Commission to conduct oversight of the Treasury and Fed in implementing the fund.
- Prohibits firms controlled by the President, Vice President, most senior-level cabinet officials, Members of Congress, and their immediate family members, from receiving financing from the fund.