

COVID-19 Small Business Administration Programs

Key Facts:

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), passed in March of 2020, creates new Small Business Administration (SBA) loan and grant programs – and expands eligibility to additional small business entities – which may be of interest to cooperatives and their consumer-members.
- The \$349 billion **‘Paycheck Protection Program’** provides loans (under the SBA 7(a) loan program) to eligible small businesses for up to 2.5 times average monthly payroll expenses, not to exceed **\$10 million**. Loan forgiveness will be provided for up to eight weeks of qualified **utility bills (including electric, telephone, and internet)**, mortgage interest and rent, and payroll costs. NRECA is requesting that SBA ensure electric cooperatives, as small businesses themselves, are eligible to participate.
- The \$10 billion SBA **Economic Injury Disaster Loan (EIDL) ‘Emergency Grant’ Program** provides grants of up to **\$10,000 to small businesses** to maintain payroll and pay rent or mortgages, among other uses. Electric cooperatives with under 500 employees may be eligible for this program if they plan to apply for an SBA EIDL program loan.

Paycheck Protection Program

The Paycheck Protection Program provides 100% federally guaranteed loans to eligible small businesses, with loan forgiveness built-in for certain eligible expenses if payrolls are maintained during or restored after the coronavirus pandemic. The program will be administered under a modified and expanded SBA 7(a) loan program. Eligible entities include:

- Small “business concerns” with fewer than 500 employees or that otherwise meet SBA’s size standards
- 501(c)(3) non-profits with fewer than 500 employees
- 501(c)(19) veterans organizations or tribal businesses that meet SBA’s size standards
- Sole proprietors, independent contractors, and eligible self-employed individuals

Borrowers can obtain loans of up to 2.5 times their average monthly payroll expenses, not to exceed \$10 million. If borrowers maintain their payrolls during the pandemic or restore their payrolls afterward, loan forgiveness is available for up to eight weeks for qualified payroll costs, utilities (electricity, gas, water, transportation, telephone, or internet), interest on mortgage, and rent. The amount of loan forgiveness is reduced proportional to any reduction in employees or wages, if such reduction isn’t eliminated by June 30, 2020.

Loans will be available through SBA-certified banks, credit unions, and nonbank lenders, including newly eligible financial institutions under the CARES Act. Additionally, the CARES Act waives certain collateral and personal guarantee requirements and a requirement that the applicant be unable to obtain credit

elsewhere. A business that participates in the Paycheck Protection Program, however, is ineligible to utilize the Employee Retention Credit established by the CARES Act.

Nearly all of America's electric cooperatives are classified as "small" under the SBA size standards. Unfortunately, SBA program guidance has traditionally limited eligibility for loan programs to only businesses that are "organized for profit", even though they removed "consumer and marketing cooperatives" from the list of entities *ineligible* for SBA loans in 2017. The CARES Act, however, casts a wider net on newly eligible entities for the Paycheck Protection Program and emphasizes that "any business concern" of not more than 500 employees or meeting the applicable SBA size standards should be eligible.

NRECA is requesting that SBA ensure America's electric cooperatives are deemed as qualifying business concerns in any guidance, regulations, and application forms implementing the Paycheck Protection Program and are able to fully participate and benefit as small businesses serving their local communities. In the meantime, NRECA strongly urges cooperatives that are interested in applying for the Paycheck Protection Program to review additional information that has been provided on the [Treasury website](#) and to closely look at the 7(a) terms and conditions in the SBA loan documents. Cooperatives can also contact their [regional SBA office](#) for additional information on local lenders.

Emergency Economic Injury Disaster Loan Program Loans and Grants

The CARES Act expands eligibility for the SBA Economic Injury Disaster Loan (EIDL) program to include small businesses, cooperatives, Employee Stock Ownership Plans (ESOPs), or tribal businesses with not more than 500 employees as well as sole proprietorships and independent contractors. In order to qualify for an EIDL program loan, the applicant must have suffered "substantial economic injury" meaning the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses. Businesses may not seek assistance under the EIDL program for the same costs that would be covered under the Paycheck Protection Program. Additionally, the CARES Act waives certain collateral and personal guarantee requirements on loans of \$200,000 or less and a requirement that the applicant be unable to obtain credit elsewhere.

Most significantly, the CARES Act establishes a \$10 billion 'emergency grant' program through which an EIDL applicant may request an advance of up to \$10,000 that won't be required to be re-paid, even if subsequently denied a loan. 'Emergency grants' may be used to maintain payroll to retain employees, make rent or mortgage payments, or other specified purposes.

Unlike the Paycheck Protection Program, cooperatives with less than 500 employees are explicitly included in the EIDL programs and would be eligible for the 'emergency grants' if they plan to apply for an EIDL program loan. Cooperatives that are interested in applying for an SBA Economic Injury Disaster Loan and a possible 'emergency grant', after reviewing the terms and conditions, can do so on the [SBA website](#).

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