

COVID-19 Small Business Administration Programs

Key Facts:

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), passed in March of 2020, created new Small Business Administration (SBA) loan and grant programs – and expanded eligibility to additional small business entities – which may be of interest to cooperatives and their consumer-members.
- The \$659 billion **Paycheck Protection Program (PPP)** provides loans 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.
- SBA and Treasury issued guidance on May 14th explicitly stating that **501(c)(12) electric cooperatives are eligible PPP borrowers** if they meet eligibility requirements.
- The \$20 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 PPP 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 is being administered under a modified and expanded SBA 7(a) loan program.

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.

On May 14th, Treasury and SBA issued guidance explicitly stating that 501(c)(12) electric cooperatives are eligible PPP borrowers if they meet eligibility requirements. Co-ops should review all eligibility criteria and requirements should they plan to apply for this program. More information on this program can be found in NRECA’s “Electric Cooperatives and the Paycheck Protection Program” Fact Sheet.

Emergency Economic Injury Disaster Loan Program Loans and Grants

The CARES Act expanded eligibility for the SBA EIDL program to include small businesses, cooperatives, Employee Stock Ownership Plans, 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 PPP. Additionally, the CARES Act waived 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 established a \$10 billion ‘emergency grant’ program – later increased to \$20 billion – 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.

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 EIDL and a possible ‘emergency grant’, after reviewing the terms and conditions, can do so on the [SBA website](#).

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