

## Small Business Provision

For businesses seeking assistance outside the SBA, the stimulus package creates a new \$350 program offering small businesses no-fee loans up to \$10 million.

The bill authorizes \$349 billion in loans for small businesses and nonprofits with 500 or fewer employees (with some exceptions). Franchisees in the food and accommodation industry (specifically NAICS code 72) with 500 and fewer employees at a physical location are eligible for loans. The maximum loan is \$10 million. Importantly, a portion of the loan can be forgiven. Businesses can get a subsidy that equals the cost of their payroll, mortgage or rent payments, and utility **costs for the first eight weeks after receiving the loan**. The loan forgiveness is tied to maintaining their payrolls. To the extent a business has reduced its payroll, the amount a loan could be forgiven would be proportionately reduced. **Businesses that have cut their payrolls could get loan forgiveness if they restored their payrolls when they get the loan.** This is a robust provision that would provide substantial support for small businesses. The eight-week subsidy for labor, rent, and utilities would represent a massive cash infusion for small businesses and non-profits — and importantly, provide an incentive for them to hang on to their employees at least for a period of time. And of course, a low interest loan (somewhere in the 4% range) would also provide liquidity for smaller employers.

Small businesses that already fired employees can still get loan forgiveness if they rehire those employees. This could offset a lot of the employment losses that already happened but could also encourage employers to lay people off until they receive the loan to preserve cash flow.

Businesses can borrow up to 125% of average payroll costs over eight weeks, using the money to support payroll plus any other expenses with the 25% boost. These loans are administered directly by banks, and underwriting will essentially be waived. Additionally, principal and interest payments are deferred for a year. Businesses must simply demonstrate that they were a viable business in early February and show their payroll costs before layoffs across the country began. If businesses can rehire employees and get their payroll back up to where it was in early February, then the loans can be waived in part or in their entirety.

Please contact your bank representative to apply for this loan.