

The Coronavirus Stimulus Package: A Lifeline for Small Businesses

The largest economic recovery package in American history has been signed into law by President Trump. Under the stimulus package, the Small Business Administration (SBA) will oversee a 7(a) program to distribute **\$350 billion to small businesses** in forgivable loans to cover employee wages, salaries, and benefits. This forgivable loan program aims to ensure that small businesses won't have to resort to laying off employees.

The forgivable loan program offers the following:

- Loans of up to \$10 million for businesses with 500 or less employees.
- Loans' interest rates capped at 4%.
- Deferred interest payments for six months to a year.
- No personal guarantees or the use of assets as collateral required.
- Funds spent on eight weeks' worth of payroll expenses will not need to be repaid.

Here are some of the most pressing questions and answers for small business owners:

Q: Who can apply for the loan?

A: Businesses and nonprofit organizations with **less than 500 employees**, with certain exceptions; and - were operational as of February 15, 2020 or earlier - can show proof of payment for employee salaries, payroll taxes, or independent contractor fees. Also included are **self-employed** and gig workers, including ride-sharing company drivers.

Q: How do I apply?

A: Through **banks, credit unions, and private lenders** approved to issue 7(a) small business loans. There are plans from the Treasury Department to roll out new regulations that will make it possible for almost all FDIC-insured banks to release SBA loans.

Q: How much money can be taken out for a loan?

A: There is a maximum of **\$10 million**. Lenders are instructed to use a formula that takes into account how much the business previously spent on **payroll expenses** to determine the appropriate loan amount.

Q: What if the borrower is unable to repay the loan?

A: The bill includes **loan forgiveness** for businesses that retain employees or rehire those that had been laid off during the outbreak. Loan forgiveness can be applied to portions of the loan spent on payroll, rent payment, utilities, and mortgage expenses incurred within an 8-week period since the start of the loan's origination date.

Q: Is there other help available?

A: Small businesses may apply for a **separate SBA program for disaster loans** with a maximum amount of \$2 million directly issued from the agency. You can find more information about this loan program at [SBA.gov](https://www.sba.gov).