

COVID-19 UPDATE

Relief Replenished: Paycheck Protection Program and Health Care Enhancement Act

On April 16th, the SBA announced that funds made available under the Paycheck Protection Program (“PPP”) and the Economic Injury Disaster Loan (“EIDL”) had been depleted. New legislation is under way that will provide qualifying small businesses with yet another chance to obtain financial relief in the wake of the global coronavirus pandemic.

The Paycheck Protection Program and Health Care Enhancement Act, which is designed to provide an additional \$484 billion in coronavirus relief funding, was approved by the Senate on April 20th and is expected to be approved by the House of Representatives on April 23rd. It is anticipated that the President will sign it into law shortly after House approval.

\$310 billion of the additional relief funds are earmarked for PPP funding, with \$60 billion of that set aside specifically for smaller banks and lending institutions (including credit unions and community banks). Eligible borrowers can obtain PPP loans in an amount up to 250% of their average monthly payroll expenses and not make any payments for six (6) months to one (1) year. If certain employment levels are maintained, PPP loans can be forgiven (i.e., cancelled and not repaid) in an amount equal to actual payroll, mortgage interest, rent, and utilities expenses paid during the first eight (8) weeks of the loan, provided that 75% of the loan funds are used for payroll expenses.

\$10 billion of the additional funding is earmarked for EIDL grants. EIDL is a disaster relief loan program that allows borrowers to obtain loans from the SBA on favorable terms, including an interest rate of 3.75%, up to a 30 year term, and deferred payments for 12 months. Importantly, EIDL loans (unlike PPP loans) are available to many landlords (but not those primarily engaged in subdividing real property into lots and developing them for resale, or those that own unimproved real estate held for speculation, investment or future development). Under the CARES Act, Congress added a grant component to EIDL loans for up to \$10,000 per applicant. Note, however, to date, the SBA has only been making EIDL grants available to small businesses with employees on the basis of \$1,000 per employee (up to \$10,000 total). Thus, while landlords are eligible for EIDL loans, unless they have employees, they may not receive grant money.

The balance of the appropriated funds provide additional funding for hospitals, disease testing, and economic disaster assistance.

Businesses seeking to benefit from these programs are encouraged to submit their applications as early as possible.

Additional information regarding the terms and eligibility for PPP loans can be found here:

<https://www.jaffelaw.com/wp-content/uploads/2020/03/COVID19-Client-Update-SBA-CARES-Act-2020April2-4814496-1.pdf>.

Additional information regarding the terms and eligibility for EIDL loans can be found here:

<https://www.jaffelaw.com/wp-content/uploads/2020/03/COVID19-Client-Update-SBA-EIDL-2020April2-4815294-1.pdf>

The Jaffe COVID-19 Task Force is here to guide you through the process. Please feel free to consult with us for assistance.

For questions, please reach out to:

Emily Schey | 248.727.1402 | eschey@jaffelaw.com



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