

CARES Act and Small Business Lending Programs

NAHB explains how they work

Congress recently approved a \$2.2 trillion economic stimulus package in response to the coronavirus pandemic that has wreaked havoc on the U.S. economy. The Coronavirus Aid, Relief, and Economic Security (CARES) Act includes several provisions to help small businesses and those engaged in the housing industry.

Among the bill's provisions are two special lending programs that will be administered by the Small Business Administration: 1) Economic Injury Disaster Loans (EIDL); and 2) an expansion of the Small Business Administration's 7(a) Paycheck Protection Program lending facility.

This document is designed to help you understand how these two programs work and whether your business might be eligible to participate.

NAHB has produced information about other aspects of the CARES Act stimulus package. Check out the [**“Protect Your Business”**](#) section on NAHB.org for additional information.



Economic Injury Disaster Loans (EIDL)

Small business owners in all U.S. states and territories are currently eligible to apply for low-interest Economic Injury Disaster Loans (EIDL) of up to \$2 million that can provide vital economic support to help overcome the temporary loss of revenue due to the COVID-19 response.

Applicants may request an advance in the amount of \$10,000 to be delivered within three days of the request. This advance must be used to:

1. Provide sick leave to employees unable to work due to the effects of COVID-19;
2. Maintain payroll to retain employees;
3. Cover increased costs of materials due to interrupted supply chains;
4. Make rent or mortgage payments; or
5. Repay other obligations that cannot be met due to revenue losses.

An applicant will not be required to repay this advance if it is used for these purposes, even if they are subsequently denied a loan under the EIDL program.

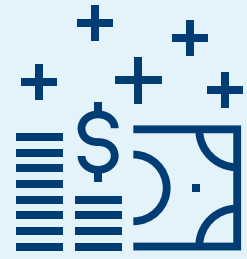
These advances are only available for applications related to the effects of the novel coronavirus. To be eligible for an advance under the EIDL program, an applicant must have been in operation since January 31, 2020, when the COVID-19 public health crisis was announced.

Qualified businesses can apply on the SBA's website.

A provision of the CARES Act allows the SBA to waive many of the standard application requirements for EIDL loans if the loan is sought as a result of COVID-19.

The CARES Act also allows the SBA to approve and offer EIDL loans based solely on an applicant's credit score, or to use an appropriate alternative method for determining an applicant's ability to repay the loan. SBA's EIDL funds come directly from the U.S. Treasury. Applicants are not required to apply through a bank.

Important note for NAHB's state and local HBA partners: 501(c) nonprofits may also be eligible for the EIDL loans, but certain conditions apply. NAHB has prepared an explainer for HBAs. This document, "**Stimulus Resources for State and Local Associations,**" can be found on the NAHB.org website.



EMERGENCY EIDL GRANT

Applicants for an EIDL loan may request an advance in the amount of \$10,000 to be delivered within three days of the request. Applicants might not have to repay this advance if they meet certain conditions.

Paycheck Protection Program

Small- and medium-sized businesses (with fewer than 500 employees) are also eligible to apply for SBA's expanded Paycheck Protection Program. This special 7(a) lending program is not provided through SBA directly, so the first step to qualifying for one of these loans is to find an SBA-approved lender in your community. Your lender can guide you through the application process and determine which of the program's loan products will work best for your business.

Allowable uses of these loans include:

- Payroll costs
- Certain costs related to the continuation of group health care benefits
- Employee salaries (including commissions or similar)
- Mortgage, rent, and utilities payments; and
- Interest on any other debt obligations that were incurred before the covered period.

A loan recipient may be eligible for forgiveness on a covered loan used for costs including payroll, mortgage and rent obligations, and utility payments.

Those with questions about the Paycheck Protection Program can contact the SBA at 1-877-475-2435, or email 7aquestions@sba.gov.

If you are having trouble getting through to, or getting your questions answered by, the SBA, please [submit this form](#) and NAHB staff will follow up and provide additional guidance as needed.



Loans for Small Business

WHO IS ELIGIBLE?

- Small business with fewer than 500 employees
- Business that otherwise meets the SBA's size standard
- Individual who operates as a sole proprietor
- Individual who operates as an independent contractor
- Self-employed individual working in any trade or business

What Enterprises are eligible?

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business

Important: The 500-employee threshold includes all employees – full-time, part-time, and any other status.

What will lenders be looking for?

Lenders will consider whether the borrower was in operation before Feb. 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors.

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here.

Some payroll costs will be excluded

1. Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period Feb. 15, 2020 to June 30, 2020
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States.



WHAT ARE LENDERS LOOKING FOR?

Was the borrower in operation before Feb. 15, 2020 and did it have employees for whom they paid salaries and payroll taxes or paid independent contractors?

HOW MUCH CAN I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed \$10 million.

Will this loan be forgiven?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)

How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.

Questions?

Alex Strong at 202-266-8279 or astrong@nahb.org

Heather Voorman at 202-266-8425 or hvoorman@nahb.org

NOTE: NAHB is providing this information for general information only. This information does not constitute the provision of legal advice, tax advice, accounting services, investment advice, or professional consulting of any kind nor should it be construed as such.

LOAN FORGIVENESS?

Borrowers are eligible for loan forgiveness equal to the amount the borrower spent on payroll, mortgage obligations and a few other costs. Conditions apply.



For more information, visit the [**“Protect Your Business”**](#) section at NAHB.org/coronavirus