

# The CARES Act Update

----- THURSDAY, APRIL 2, 2020 • 12:00 - 1:00 PM -----

## TOPICS

- What is the Coronavirus Aid, Relief and Economic Security (CARE) Act?
- Does my business qualify for assistance from the CARE Act?
- How does the CARE Act affect my employees?
- What loans are available to help me with my payroll?
- How much can I borrow, and what are the terms?

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Moderated by Kevin Riles, Kevin Riles Commercial  
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# The Coronavirus Aid, Relief, and Economic Security (CARES) Act

*Information provided by the U.S. Chamber of Commerce*

This act has allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program (PPP), the initiative provides 100% federally guaranteed loans to small businesses who maintain their payroll during this emergency. PPP modifies and expands the Small Business Administration's 7(a) loan guaranty program to make funds readily available to qualifying small businesses through approved bank and non-bank lenders

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Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.



# SBA CARES Programs

SBA Program	Small Business Need	Program Overview
<b>SBA Paycheck Protection Program (PPP)</b> <i>Est. \$350 billion allocated to program</i>	For small businesses that need capital to cover the cost of retaining employees.	Provides cash-flow assistance through 100% federally guaranteed loans to small businesses who maintain their payroll during this emergency.
<b>Emergency Economic Injury Disaster Loan (EIDL) Grants*</b> <i>Est. \$10 billion allocated to grants</i>	For small businesses that need a quick infusion of a smaller amount of cash to cover immediate operating needs.	These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL).
<b>Small Business Debt Relief Program*</b> <i>Est. \$17 billion allocated to program</i>	For small businesses that need assistance with covering SBA loan payments.	Provides immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans. Under this program, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months.



# SBA Loan Payment Relief

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Under the CARES Act, \$17 billion is provided by Congress for SBA to make payments on all eligible 7(a), 504, and microloan loans. These Borrowers are relieved of any obligation to pay the principal, interest and any associated fees that are owed on a 7(a) loan in a regular servicing status (including Community Advantage loans) for a 6-month period beginning with the first payment due on a loan after March 27, 2020. SBA will pay this first loan payment to the Lenders within 30 days of the first loan payment due date after March 27, 2020. If a Lender receives a loan payment from a Borrower after March 27, 2020, the Lender must inform the Borrower that it has the option of the Lender either returning the loan payment to the Borrower or applying the loan payment to further reduce the loan balance after application of SBA's payment.



# AM I ELIGIBLE?

You are eligible if you are:

- 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
    - Accommodation and food services businesses (NAICS 72x) -500 employee rule applied per physical location.
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# AM I ELIGIBLE?

You are eligible if you are:

- 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
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# AM I ELIGIBLE?

You are eligible if you are:

- A Tribal business concern that meets the SBA size standard
  - A 501(c)(19) Veterans Organization that meets the SBA size standard
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# Loan Terms

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Program coverage period from February 15, 2020 to June 30, 2020

All loans under this program will have the following identical features:

- o Interest rate of 0.5%
- o Maturity of 2 years
- o First payment deferred for six months
- o 100% guarantee by SBA
- o No collateral
- o No personal guarantees
- o No borrower or lender fees payable to SBA





# WHAT WILL LENDERS BE LOOKING FOR?

In evaluating eligibility, lenders are directed to consider whether the borrower was in operation before February 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

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2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments



# WHAT WILL LENDERS BE LOOKING FOR?

3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
  4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)
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# 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**.

Non Seasonal Employers -- Maximum loan =

2.5 x Average total monthly payroll costs incurred during the year prior to the loan date

***For businesses not operational in 2019:***

2.5 x Average total monthly payroll costs incurred for January and February 2020

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Seasonal Employers -- Maximum loan =

2.5 x Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 *or* March 1, 2019 (decided by the loan recipient) and ending June 30, 2019



# HOW DO I CALCULATE MY AVERAGE MONTHLY PAYROLL COSTS?



# What counts as payroll costs?

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Payroll costs include:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.



# Payroll cost shall NOT include

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- The compensation of an individual employee in excess of an annual salary of \$100,000, as pro-rated for the covered period
- Taxes imposed by or withheld under chapters 21,22, or 24 of the Internal Revenue Code of 1986 during the covered period
- Any compensation of an employee of an employee whose principal place of residence is outside of the United States
- Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act or
- Qualified family leave wages for which a credit is allowed under section 7003 of the families First Coronavirus Response Act.

# WILL THIS LOAN BE FORGIVEN?

Borrowers are eligible to have their loans forgiven.

## How Much?

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)
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# WILL THIS LOAN BE FORGIVEN?

- 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)
- For borrowers with tipped employees, additional wages paid to those employees

**The loan forgiveness cannot exceed the principal.**

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# HOW DOES THIS AFFECT EMPLOYEES?

What if I bring back employees or restore wages?

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

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# REDUCTION BASED ON REDUCTION OF NUMBER OF EMPLOYEES



**PAYROLL COST**  
Calculated on page 2

**X**

Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

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**Option 1:**

Average number of FTEs per month from February 15, 2019 to June 30, 2019

**Option 2:**

Average number of FTEs per month from January 1, 2020 to February 29, 2020

**For Seasonal Employers:**

Average number of FTEs per month from February 15, 2019 to June 30, 2019

# REDUCTION BASED ON REDUCTION IN SALARIES



**PAYROLL  
COST**  
Calculated  
on page 2



For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

# CONTACT INFORMATION

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# WHAT'S NEXT?

Look out for more information about eligible lenders and additional loan guidance.

Visit [www.sba.gov](http://www.sba.gov) for updates.



# FBCC UPCOMING WEBINAR



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# FBCC UPCOMING WEBINAR

## Best Practices for Working Remote

**TUESDAY, APRIL 7, 2020 • 12:00 - 1:00 PM**

**TOPICS:**

- Adjusting to the new norm; how working alone at home is different than working in the office
- Securing home computers with the same protections as office computers
- Using effective tools for collaboration
- Setting up phones for remote working

**Zoom call-in information:**  
<https://zoom.us/j/324702390>

**Meeting ID:** 324 702 390

**One tap mobile:** +1-346-248-7799,  
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# FBCC UPCOMING WEBINAR

## MOVING FORWARD: *Facebook Marketing For Your Business*

Thursday, April 9, 2020 | 12:00 - 1:00 PM

**TOPICS:**

- How should I be using Facebook Ads for my business?
- How To Reach My Target Market?
- How can I get started with virtual events?

Moderated by **Kevin Riles**, FBCC Business & Professional Division Chair, Kevin Riles Commercial

**Zoom call-in information:**  
<https://zoom.us/j/970219787>

**Meeting ID:** 970 219 7870

**One tap mobile:**  
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