

Below is a summary of loan programs of interest to institutions of higher education in the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL) are available to private, 501(c)3 organizations with fewer than 500 employees. Additionally there are also new loans created at Treasury that will be made through the Federal Reserve and will be available to private and public institutions with 500-10,000 employees. The Small Business Administration (SBA) and Treasury are moving quickly to post guidance and regulations about these new programs. This document will be updated as more information becomes available. Details below.

Small Business Paycheck Protection Program

- The Paycheck Protection Program will be implemented by the Small Business Administration with support from the Department of the Treasury.
- Small businesses can apply as early as April 3, 2020.
- \$349 billion was appropriated through the CARES Act. Because there is a funding cap, funds may become unavailable. However, there may be an opportunity to include additional funds in future supplemental legislation.
- The PPP is available to small business concerns, including private, 501(c)3 nonprofit organizations, with 500 or fewer employees.
 - For the purposes of counting employees, this likely includes student employees and part time employees.¹
- Loan amount is scaled based on 250 percent of average monthly payroll costs. Maximum amount allowable is \$10 million.
- Loans may be used for payroll costs, costs related to the continuation of health care benefits, payments of interest on mortgage obligations, rent, utilities, and interest on other debt obligations.
- Interest rate is set at 0.50 percent for all loans. All payments are deferred for six months (although interest will accrue), with zero loan fees, and zero prepayment fee. The loan is due after 2 years.
- Loans may be forgiven. Forgiveness is calculated based on the payroll costs to maintain employees and wages for the covered eight week period. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.
- Small businesses can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. A list of the most active, currently approved 7 (a) lenders can be found here: <https://www.sba.gov/article/2020/mar/02/100-most-active-sba-7a-lenders>.
- You must apply through your lender for forgiveness of your loan.

¹ <https://www.law.cornell.edu/cfr/text/13/121.106>

- Applicants can apply for a PPP Loan, as well as an EIDL, but it cannot be for the same purpose. For example, if you use your PPP loan to cover payroll, you cannot use a different SBA loan to cover the same costs. However, if a small business receives a PPP loan, the business cannot also receive compensation through the Employee retention refundable tax credit
- More information:
 - Department of Treasury fact sheet on PPP: <https://home.treasury.gov/system/files/136/PPP%20--%20Overview.pdf>.
 - Department of Treasury information for borrowers on PPP: <https://home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf>
 - SBA information on PPP: <https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp>.
 - SBA sample application for PPP: <https://www.sba.gov/document/sba-form--paycheck-protection-program-ppp-sample-application-form>.
 - SBA interim guidance on PPP: <https://content.sba.gov/sites/default/files/2020-04/PPP--IFRN%20FINAL.pdf>.

SBA COVID-19 Economic Injury Disaster Loans and Loan Advance

- Administered through the Small Business Administration.
- Available to private, non-profits organizations with 500 or fewer employees.
- Allows for a loan advance of up to \$10,000 which does not need to be repaid. The advance loan is provided within three business days of a successful application.
- The SBA EIDL program provides small businesses with working capital loans of up to \$2 million to help overcome the temporary loss of revenue they are experiencing.
- Note, if an applicant also receives a PPP loan, these cannot be used for the same purpose.
- More information:
 - Apply directly through the SBA here: <https://covid19relief.sba.gov/#/>
 - Contact your regional Small Business Development Center for support and advise in applying for SBA loans. SBDCs can be found here: <https://americassbdc.org/small-business-consulting-and-training/find-your-sbdc/>

Main Street Loans and Municipality Liquidity Facility (MLF)

- The CARES Act provides \$500 billion for loans to eligible businesses with up to 10,000 employees. \$46 billion of the total is directed to loans for the aviation industry.
- The program will be administered by the Federal Reserve to “providing liquidity to the financial system that support lending to eligible businesses, States or municipalities” related to losses as a result of coronavirus, through loans or debt instruments.

- On April 9, the Federal Reserve and Department of Treasury announced three new lending authorities:
 - Main Street New Loan Facility- for small and mid-sized businesses that were in good financial standing before the crisis, will offer 4-year loans to companies employing up to 10,000 workers or with revenues of less than \$2.5 billion. Principal and interest payments will be deferred for one year. Eligible banks may originate new Main Street loans or use Main Street loans to increase the size of existing loans to businesses. Loan limits are \$25 million or an amount that (when added to the borrower's existing outstanding and committed but undrawn bank debt), does not exceed four times the borrower's 2019 earnings.
 - Main Street Expanded Loan Facility- "provides for the purchase by the Federal Reserve from eligible lenders of upsized tranches of existing loans originated before April 8, 2020." Maximum loan size is the lesser of \$150 million, 30 percent of the borrower's existing outstanding and committed but undrawn bank debt, or an amount that, when added to the borrower's existing debt, does not exceed six times the borrower's 2019 earnings.
 - A Municipal Liquidity Facility (MLF) with a \$35 billion equity investment, which will provide direct financing to states, counties, and cities to spend on essential services and coronavirus response initiatives.
- The Main Street Lending loans will be made through lenders/ banks, not directly from Treasury or the Federal Reserve.
- Rather than the requirement to retain 90 percent of the recipient's workforce, the guidance for the Main Street Lending loans says the borrower "will use the loan proceeds to 'make reasonable efforts' to maintain payroll and retain employees during the loan term."
- The MLF will provide funds to help offset the delay in state and local tax receipts caused by the deferral of the tax filing deadline, and to help offset any short term losses in tax revenues resulting from reduced business and consumer activity due to the coronavirus pandemic. States, counties, and cities will be able to sell new municipal notes directly to the MLF to obtain the funds they need quickly and efficiently.
- More information:
 - Treasury press release on Main Street Lending programs: <https://home.treasury.gov/news/press-releases/sm968>
 - Federal Reserve press release with additional details linked at the bottom: <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm>.
 - ACE and higher education community comments to the Federal Reserve on the Main Street Lending program: <https://www.acenet.edu/Documents/Comments-Fed-Reserve-Main-Street-Lending-Program-041620.pdf#search=main%20street>