

BUSINESSES SHOULD CARE(S) ABOUT THIS: THE SBA IS RELEASING NEW INFORMATION REGARDING 7(A) LOANS

Posted on April 1, 2020 by Michelle F. Schwerin



Tags: [CARES Act](#), [COVID - 19](#), [COVID - Business](#), [Danielle Durban](#)



[SBA: Paycheck Protection Program](#) Late on **Tuesday, March 31, 2020**, the Small Business Administration (the "SBA") updated their site with further information regarding **7(a) Loans** under the **Paycheck Protection Program**.

After the passage of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on **Friday, March 27, 2020**, further guidance from the SBA was highly anticipated, particularly since Section 1102(a)(2)(F)(ii)(I) of the CARES Act delegated authority to approved lenders, who expressed a need for such guidance before implementing the Paycheck Protection Program.

Paycheck Protection Program

While more is forthcoming, the SBA's site has thus far provided the following:

- **1% interest rate** (the CARES Act stated the interest rate was "not to exceed **4%**");
- **maturity date of 2 years** (the CARES Act stated a "maximum maturity of **10 years**"); **and**
- **6 month deferral** (the CARES Act stated deferment relief for "not less than **6 months** . . . and not more than **1 year**").

The choice of a lawyer is an important decision and should not be based solely upon advertisements.

Additionally, the SBA site provided a sample application—which is subject to change with the following items worth noting:

Eligible Loan Amount Calculation Based on Tax Documents:

"I acknowledge that the lender will calculate the eligible loan amount using tax documents I have submitted. I affirm that these tax documents are identical to those I submitted to the IRS."

Loan Forgiveness Limitation:

"Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than twenty-five percent (25%) of the forgiven amount may be for non-payroll costs."

Meaning at least 75% of the forgiven amount must have been used for "payroll costs."

"Payroll Costs" Calculation:

"For purposes of calculating "Average Monthly Payroll", most Applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee."

Further guidance is needed as to whether "costs over \$100,000" is exclusively related to salary, or includes costs such as health benefits.

Imprisonment and Financial Fines for Providing False Information:

"I further certify that the information provided in this application and the information that I have provided in all supporting documents and forms is true and accurate. I realize that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under [18 USC 1001](#) and [3571](#) by imprisonment of not more than five years and/or a fine of up to \$250,000; under [15 USC 645](#) by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under [18 USC 1014](#) by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000."

American Made Representation:

"To the extent feasible, I will purchase only American-made equipment and products."

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