



COVID-19: BULLETIN #1

CARES ACT

(Coronavirus Aid, Relief, and Economic Security Act)
Small Business & Real Estate Advisory
March 27, 2020

Congress has passed the Cares Act (Coronavirus Aid, Relief and Economic Security Act) now known as H. 478. Among other things the Cares Act provides immediate short term financial assistance to small businesses that have been affected by the health and economic fall out from the Covid-19 pandemic. I have summarized the key aspects of the Cares Act that apply to small businesses below.

Assistance to Small Businesses, Not-For-Profits and Sole Practitioners.

A major focus of the Cares Act is to provide small businesses with immediate financial assistance to keep employees on their payrolls and pay their bills during the period of the Covid-19 pandemic. The Act also provides forbearance periods of up to one hundred eighty days to owners of multi-family buildings of five units or more that are financed by federal agencies like HUD and Fannie-Mae.

- **Grants and Loans from The Small Business Administration.** Under the Cares Act employers with fewer than 500 employees will have access to \$350 billion in new Small Business Administration Loans during the “covered period.”
 - **Covered Period.** The covered period is from February 15, 2020 through June 30, 2020.
 - **Paycheck Protection Loans (PPP).** The new loans, known as “paycheck protection loans,” are to be issued by private lending institutions to borrowers on-the-spot after a loan application is accepted.
 - **Small Business Administration Guarantee.** The loans will be guaranteed in full through December 31, 2020 under Section 7 of the Small Business Administration Act.
 - **Sole Proprietors and Not-for-Profit Corporations.** Sole Proprietors and Not-for-Profit Corporations are included as small businesses for purposes of administering the Cares Act.
 - **Loan Amounts.** Loan amounts are limited to the lesser of the average of total “payroll costs” of the business for the one-year period ending on the date the loan is made multiplied by 2.5, or for an amount that is not to exceed \$10 million.
 - **Loan Proceeds.** Loan proceeds may be used to cover payroll, mortgage payments, health care benefits, utilities, and any other debt service requirements.
 - **Loan Fee Waiver.** The standard fees imposed on borrowers by Section 7 of the Small Business Act are waived, and no personal guaranty is required.
 - **Loan Forgiveness.** The Cares Act also includes an eight week

forgiveness program for the new loans. The forgiveness program effectively converts a loan to a grant for a period of the eight weeks. Forgiveness of a loan will not be treated as gross income for federal income tax purposes.

- **SBA Subsidy.** Small businesses that already receive assistance under a Small Business Administration Loan are entitled to a six month loan subsidy under the Cares Act.
- **Real Estate Financing.** The Cares Act prohibits foreclosure proceedings for 60 days beginning on March 18, 2020. It also extends a loan payment forbearance period of 90 days to owners of federally funded multi-family buildings of five units or more with an additional extension period of 90 days.

Like you, I am learning as we go. I will endeavor to keep you informed of legislative and public affairs developments stemming from the Covid-19 pandemic. I hope that you and your families are well and continue to remain healthy and safe. Take care.

Sincerely,

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