



TRAPHAGEN
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There are two assistance loan programs available for small businesses, the first is directly through an SBA authorized Bank and the second is directly through the Small Business Administration Website. We have summarized your options below:

The CARES Act was signed into law on March 27, 2020. - Part of the CARES Act is called "Keeping American Workers Paid and Employed Act", which creates a new Business Loan Program, called the "Paycheck Protection Program" designed to help small business continue operating during the economic crisis brought on by the COVID-19 Pandemic. We have outlined some key points of the plan provisions:

1. Created by the CARES Act and administered by the Small Business Administration (SBA)
2. The process has not been finalized - the SBA has 15 days to issue regulations to carry out all of the loan programs under the CARES Act.
3. Applications are **NOT** processed through the SBA website
4. Applications are only done through Banks that administer SBA Loans
5. Loan amounts can be up to \$10 Million
6. Eligibility - Designed to help "Small Business Concerns" that have under 500 employees:

- NOTE: Sole proprietorships, independent contractors and self-employed persons ARE eligible for loans!

7. No Collateral is required

8. No Personal Guarantors are required

9. Amount of the loan will be based upon - Company payroll, payroll taxes, health insurance, 401(k), etc.

10. Must have following to qualify:

- Qualifying Economic Disaster- needed to continue operations during COVID-19 emergency
- Funds to be used to retain and pay workers or make mortgage, lease and utility payments

11. Loan is forgiven if all proceeds used for qualifying expenses over an 8-week period starting on the date the loan is made.

Qualifying Expenses- Must be able to document use of funds:

- Company Payroll
- Payroll Taxes
- 401K Match
- Health Insurance
- Utilities
- Rent
- Interest on any other debt obligation incurred before the covered period

12. Loans forgiven will be reduced for any job cuts or reduction in wages

13. Loans not forgiven - Request is made after the 8-week period

- Can defer repayment for 6 months to 1 year
- 10-year repayment period capped at 4% interest rate

Please contact your bank immediately to determine if they are SBA approved, for up to date information and for any questions on the application process.

Small Business Administration
Economic Injury Disaster Loan

The CARES Act expands the SBA's Disaster Loan Program. The SBA provides Emergency Relief Grants and Loans which are immediately available. This part of the law covers the period January 31, 2020 to December 31, 2020.

1. Application forms processed through SBA website

<https://disasterloan.sba.gov/apply-for-disasterloan/index.html>

2. Up to \$2 million in assistance which can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.

3. Interest Rates

- Small businesses - Profit 3.75%
- Non-Profit 2.75%

4. Loans are eligible for 1-year deferment

5. Eligibility

Expanded eligibility to include:

- Businesses with 500 or fewer employees
- Sole proprietorships, with or without employees, and independent contractors
- Employee Stock Ownership Plans with 500 or fewer employees

6. The CARES Act make the following additional changes to the SBA Disaster Loan program during the covered period for loans made in response to COVID-19:

- Waives rules related to personal guarantees on loans of \$200,000 or less
- Waives the "1 year in business prior to the disaster" requirement (but the business must have been in operation on 1/31/2020)
- Waives the requirement that an applicant be unable to find credit elsewhere
- Allows lenders to approve applicants based solely on credit scores (no tax return submission required) or "alternative appropriate methods to determine an applicant's ability to repay."

7. Emergency Grants of up to \$10,000!

Entities applying for loans under the Disaster Loan Program in response to COVID-19 may request an emergency advance of up to \$10,000, which does not have to be repaid, even if the loan application is later denied. Advances are to be awarded within three days of application.

Advances may be used for:

- Providing sick leave to employees unable to work due to direct effect of COVID-19
- Maintaining payroll during business disruptions during slowdowns
- Meeting increased supply chain costs

- Making rent or mortgage payments
- Repaying debts that cannot be paid due to lost revenue

For those who have existing loans under the SBA's Express Loan Program, you should consider revisiting your loan under this program. This loan program has increased from \$350,000 to \$1,000,000 through January 1, 2021.

If you have any questions about how these regulations apply to your particular situation, please contact our office so we can assist you.

Traphagen CPAs & Wealth Advisors

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Our Firm is Dedicated to Your Financial Success!

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