Phase 3.5 Updated CARES Act

On April 24, President Trump signed into law amendments to the phase 3 relief package, the CARES Act. This phase 3.5 package increases funding for the Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL) Program, and the EIDL Advance Grant Program. Also, additional measures were taken to increase the amount of capital available to small businesses, and more funding was made available to healthcare providers and government agencies tasked with developing capacity for testing and contact tracing.

The details for these updates are as follows:

● Paycheck Protection Program
  ○ Increases total available funds for this program by $310 billion
  ○ $30 billion set aside for loans made by Insured Depository Institutions and Credit Unions that have assets between $10 billion and $50 billion
  ○ $30 billion set aside for loans made by Community Financial Institutions, Small Insured Depository Institutions, and Credit Unions with assets less than $10 billion
    ■ Defines Community Financial Institutions as minority depository institutions, certified development companies, microloan intermediaries, and State or Federal Credit Unions

● Economic Injury Disaster Loan Program
  ○ Increases total available funds for EIDL Program Loans by $50 billion
  ○ Increases total available funds for EIDL Advance Grants by $10 billion

● Department of Health and Human Services Appropriations
  ○ $75 billion for hospitals and healthcare providers for COVID-19 related expenses and lost revenue
  ○ $11 billion to be used by states and localities to increase testing
    ■ $2 billion provided to states consistent with the Public Health Emergency Preparedness grant formula
    ■ $4.25 billion provided to areas based on relative number of COVID-19 cases
  ○ $4 billion to federal governmental organizations for research, development, and administration of testing

As a reminder, the original CARES Act established the PPP and provided information on the EIDL Program, details of which can be found below. A full summary of the original CARES Act can be found here.

PPP
● Eligibility
  ○ Businesses and 501(c)(3) nonprofits with less than 500 employees
    ■ Businesses in the accommodation and food services with less than 500 employees at each location are also eligible
Certain sectors have their eligibility determined by revenue, or may have heightened employee caps

www.sba.gov/size-standards

Application process

- Applicants can download the PPP Borrower Application Form here
- Applicants take this form and supporting documents to their own lender, not the SBA, in order to apply
- 1099 workers and sole-proprietors need to apply on their own behalfs
- Smaller businesses may have trouble applying at larger banks
- For a list of Community Development Financial Institutions (CDFI’s) use this CDFI locator

Loan funds

- In order to qualify for forgiveness, funds need to be used within the first 8 weeks
  - At least 75% of the funding has to be used on payroll expenses, which includes paid vacation, sick leave, wages, salaries, tips, etc.
  - The remaining 25% can be spent on expenses like rent, utilities, and interest on mortgages
  - Funds cannot be used for expansion purposes or paying off other debts

EIDL & EIDL Grant

Eligibility

- Businesses and all 501(c) non-profits with less than 500 employees
  - Certain sectors have their eligibility determined by revenue, or may have heightened employee caps

www.sba.gov/size-standards

Application process

- Applicants apply directly to the SBA website
- Until this new funding becomes readily available, the SBA has ceased taking in new EIDL and EIDL grant applications
  - Check this page for updates on when applications will resume

Loan/Grant Funds

- The EIDL grant does not have to be paid back
- The main EIDL Program loan however is not forgivable
  - There are no payments for the first year
- Funds can be used to pay for regular business expenses including:
  - Fixed debts
  - Accounts payable
  - Payroll
  - Rent, utilities, mortgage payments
- Funds cannot be used to refinance existing loans