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Second Emergency Stimulus Bill Provides Additional Funding for SBA EIDL Program; Takes Steps to Direct PPP Loan Funds to More Small Businesses

Steven Firkser and Hunain Sarwar

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The Paycheck Protection Program and Health Care Enhancement Act (the Act), a second round of emergency economic stimulus funding that was signed into law on April 24, 2020, allocates \$484 billion to replenish and supplement financial support for critical programs under the CARES Act. The Act is intended, among other things, to replenish the depleted funds of the Paycheck Protection Program (PPP) and the Small Business Administration's (SBA) Economic Injury Disaster Loan (EIDL) program, as outlined below.

Economic Injury Disaster Loan (EIDL) Program

The second round of stimulus funding pursuant to the Act infuses the SBA's Economic Injury Disaster Loan (EIDL) program with additional funding, authorizing an additional \$50 billion for EIDL loans and \$10 billion for emergency EIDL grants.

Under the EIDL program, small businesses adversely impacted by the COVID-19 pandemic can apply directly to the SBA for grants of up to \$10,000 and loans of up to \$2 million for working capital to pay fixed debts, payroll, accounts payable and other financial obligations that could have been satisfied had the pandemic not occurred. The first round of funding for the EIDL program was exhausted within weeks, and applicants already in the pipeline will be considered on a "first come, first served" basis. These loans and advances are obtained directly from the SBA without need for applying through a lender.

Attorneys

Steven Firkser

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In addition to the increased funding, the Act adds agricultural enterprises with no more than 500 employees as entities that are eligible for EIDL grants and loans. Agricultural enterprises are defined in Section 18(b) of the Small Business Act as “businesses engaged in the production of food and fiber, ranching, and raising of livestock, aquaculture, and all other farming and agricultural related industries.”

Paycheck Protection Program (PPP)

The first round of stimulus funding for the Paycheck Protection Program (PPP) authorized \$349 billion in funds, which was depleted within three weeks of passage of the CARES Act. During that time, the SBA approved more than 1.6 million loans with an average loan amount of \$206,000, however there were hundreds of thousands of applicants who did not receive funding.

The second round of stimulus funding pursuant to the Act authorizes an additional \$310 billion in funding for the PPP, so that those with pending applications will have another opportunity to obtain loans. The Act specifically allocates portions of the \$310 billion for smaller financial institutions – \$30 billion is earmarked for lenders with less than \$50 billion in assets, while \$30 billion is earmarked for lenders with less than \$10 billion in assets.

By allocating these amounts to smaller lenders, Congress is hopeful that these funds will reach the “smaller” small businesses that failed to receive funding during the first round. The loans are based on payroll costs for eligible small businesses and can be forgiven if used for wages, benefits, rent and utilities. They are currently available until June 30, 2020.

The Act did not include any changes to the existing process of obtaining a PPP loan or an EIDL loan or grant. However, the Treasury Department and SBA continue to update their interim rules and guidelines, and we will continue to monitor and advise you of new developments.

Please contact the authors of this Alert with questions or to discuss your specific circumstances.

Steven Firkser

Real Estate and Redevelopment & Land Use Departments

sfirkser@greenbaumlaw.com | 732.476.2388

Hunain Sarwar

Real Estate Department

hsarwar@greenbaumlaw.com | 973.577.1782