

The CARES Act: Available Loan Programs

The Coronavirus Aid, Relief and Economic Security Act, or the “CARES” Act, has made two loan programs available to “Small Businesses,” as that term is defined under each program. Below is a simplified overview of each program.

Small Business Administration Economic Injury Disaster Loans

Small businesses, which for the purposes of this loan may include insurance agencies with \$8 Million in annual receipts or less, are able to apply for up to \$2 Million in loans. Additional requirements may apply. Loan proceeds may be used for fixed debts, payroll, accounts payable, or other obligations that cannot be paid due to the epidemic’s economic impact.

Terms of the loan are favorable. The interest rate for a for-profit business is 3.75%, and it may be repaid over an extended period of time, as long as 30 years.

- Additional information about these loans can be obtained by clicking [here](#).
- You can apply for a loan through the U.S. Small Business Association’s website by clicking [here](#); or
- If you prefer an in-person application, you can locate your local Small Business Administration district office by clicking [here](#).

Paycheck Protection Program: Forgivable Loans

For the purposes of this loan, there are several definitions of a small business, but it includes any company with 500 or fewer employees. Employees of affiliates under common control will count against this number, but independent contractors will not.

If eligible, the applicant can receive the lesser of \$10 million, or 2.5 times the average total monthly payment for payroll costs (essentially, a year’s payroll). If received, certain portions of these amounts can be forgiven and not repaid. Specifically, amounts spent on payroll, mortgage interest, rent and utilities for 8 weeks following receipt of the funds can be forgiven. However, 75% of these funds must be spent on payroll to achieve forgiveness. Additionally, reductions in payroll due to terminations or salary reductions can reduce, or eliminate, forgiveness.

Non-forgivable portions of the funds treated as a loan can be repaid over two years, and at a low interest rate of 0.5%. You can apply through your current bank beginning on Friday, April 3. Many believe that banks will prioritize loan applications of existing customers, so you should contact your bank as soon as possible.

- Additional information about these loans can be obtained by clicking [here](#).

This is for informational purposes only, and National Life Group cannot give you tax advice. You should contact your accountant immediately to discuss whether you are eligible for, and would benefit from, these programs.

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