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COVID-19 Action Center: Financial Management and Disaster Relief

Tools for client service

A team of CLA industry leaders is interpreting the Coronavirus Aid, Relief, and Economic Security (CARES) Act and will publish content in the coming days to help explain what the law means for you, and what steps you can take moving forward. **Reference (and share!) CARES Act Signed Into Law: Includes an Estimated \$2 Trillion or More in Stimulus.**

Quick link: [Loan resources \(EIDL and CARES provisions\)](#) [Grants \(state and other\)](#)

[Payroll and accounts payable checks](#) [Examine insurance policies](#)

[Cash Flow and Financial Modeling \(CLA Intuition 2.0\)](#)

[Go to Financial Management and Disaster Relief External Content](#)

Loan resources (EIDL and CARES provisions) CARES Act Title I – Keeping American Workers Paid and Employed Act

Contact clients and potential new clients to discuss this program and other COVID-19 assistance programs.

Using the Payment Protection Program under section 7(a) of the Small Business Act, the CARES Act provides for the U.S. Small Business Administration (SBA) to make loans under the Paycheck Protection Program (7(a) PPP). Unlike the SBA Economic Injury Disaster Loan Program, this program will be administered through qualified banks rather than directly from the SBA.

- Eligible organizations generally include small businesses with less than 500 employees, including sole-proprietors, independent contractors, and other self-employed individuals, 501(c)(3) nonprofits, 501(c)(19) veteran's organizations and tribal business concerns.
- The typical 'unable to obtain credit elsewhere test' is waived.
- Maximum 7(a) PPP loan amount of \$10 million, with loan amount tied to payroll costs incurred by the business. Loan sized based on 2 ½ times the average monthly payroll for the 1 year period prior to the grant of the loan. Alternative measurement periods can be used for businesses that commenced within the last 12 months or are seasonal in nature.
- Allowable uses include payroll support (salaries, sick/medical leave, insurance premiums, etc.), mortgage interest, rent and utility payments incurred during the eight-week period following the origination date of the loan.
 - Payroll wage support capped at annualized rate of \$100,000 per employee.
- Loan amount will be forgiven for amounts spent by borrower during the eight-week period after the origination date of the loan for allowable uses, subject to certain limitation and possible reductions.
 - Forgiveness amount will be reduced proportionately based on quotient of 2020 Full-time-equivalent (FTE) employees during the period from February 15 to June 30, 2020 compared to a corresponding prior year or representative pre-COVID-19 period.
 - Further reduction for any wage decreases in excess of 25%.
 - If you have already terminated employees you can hire them back and the FTE calculation noted above will be adjusted accordingly (as if termination had not occurred)
- Loan forgiveness amount will NOT be subject to tax.

- For the portion of the loan that is not forgiven, the term of repayment cannot exceed 10 years and must carry an interest rate less than 4%. The affiliate rules, which could limit qualification, are waived for hospitality and food service entities (NAICS code 72 organizations) and franchisees.
- The 7(a) PPP loan is nonrecourse and the typical personal guaranty requirements have been waived, as well as typical collateral requirements for the covered loan.
- The loan will be subordinated to other pre-existing debt obligations.
- The 7(a) PPP loan can be used in conjunction with other programs such as the SBA's Economic Injury Disaster Loan Program, as long as the loans are not used to fund the same costs.

Additional resources

[U.S. Chamber of Commerce Coronavirus Emergency Loans: Small Business Checklist](#)

[Senate Committee on Small Business and Entrepreneurship: Paycheck Protection Program FAQs for Small Businesses](#)

Grants (state and other)

We have a team monitoring this topic. There is not a lot of detail yet.

- See Grant Compliance
- See Resources to Ease the Burden of Grant Compliance

These links will be updated with new information as it becomes available.

Payroll and Accounts Payable Checks

- As you prepare your own business continuity plans, we encourage you to consider how your employees receive their pay.
- During times of natural disasters or unfortunate events, it becomes even more critical to plan for challenges to systems, such as mail or transit.
- To avoid the risk of any potential disruption in the delivery of physical checks, we are asking our clients to suggest their employees sign up for electronic payments, such as direct deposit of their pay.
- Alternatively, for those who do not use a bank or have a deposit account, we recommend having them sign up for a paycard or reloadable debit option as a convenient, reliable and secure way to receive their earnings.

Examine Insurance Policies

- These uncertain times require businesses to evaluate how their operations and revenue have been impacted by COVID-19 and closely analyze their existing insurance policies to determine whether potentially there is coverage for their losses.
- Standard insurance policies often include different types of valuable coverages:
 - business interruption when operations are directly impacted
 - contingent business interruption coverage where there has been indirect losses such as when the business' use of premises or their supply chain has been impacted.
- In addition some insurance policies include provisions for when the government authorities restrict access to where your business is located and dependent upon for operations.

- ***It should be noted that since the SARS outbreak in early 2000s some insurance policies have specific exclusions for viruses and epidemics.***
- Quantifying losses on business interruption claims is complex and nuanced.
- CLA is there to help your business identify and quantify its losses for maximum recovery from your insurance carrier.