



CHILD CARE SERVICES  
ASSOCIATION

# FORGIVABLE LOANS THROUGH THE FEDERAL CARES ACT FOR SMALL BUSINESSES INCLUDING CHILD CARE PROVIDERS



Two loan programs are available for small businesses through the Coronavirus Aid, Relief and Economic Security (**CARES**) Act that can offer some assistance to child care providers (family child care homes and centers). Both of these programs are operated by the Small Business Administration (SBA).

## KEY INFORMATION

Funds are available on a first come, first serve basis to all small businesses. While many programs may be eligible, not all programs will receive funds, because the funds will run out.

The two programs are:

- Paycheck Protection Program (PPP)
- Emergency Economic Injury Disaster Loan Program (EIDL) (for loans plus emergency cash advances)

If a business uses both programs, the business cannot charge the same expenses for the same time period to both programs. Also, the advance amount will be considered

when determining the loan forgiveness amount.

Employers must keep good records to verify that staff and wages were maintained, and to document payroll and other expenses (e.g. utilities, mortgage interest or rent). These records must be submitted.

## PROGRAM ELIGIBILITY

(for both programs)

- 501(c)(3) non-profit organizations with fewer than 500 employees
- Small businesses with fewer than 500 employees
- Self-employed individuals (with submission of certain documentation)
- Sole proprietors
- Independent contractors
- Tribal business concerns that meet the SBA size standard
- Certain religious institutions are eligible for the PPP loan, but only to cover the payroll costs of an associated business like a thrift store or a child care center





# PAYCHECK PROTECTION PROGRAM (PPP) SPECIFICS

The **Paycheck Protection Program (PPP)** is designed to cover eight weeks of payroll-related expenses to support small businesses so they can keep employees working rather than laying them off. It is a loan that can be converted to a grant. Employers apply for PPP at participating banks and credit unions.

## AMOUNT THAT CAN BE BORROWED AND FOR WHAT EXPENSES

Eligible programs can borrow up to 2.5 times their average monthly payroll expense. The amount is intended to help cover:

- Eight weeks of payroll, for hourly and salaried employees, under the maximum \$100,000 threshold
- Employee group health care benefits, including insurance premiums, retirement contributions and paid sick or medical leave
- Rent or mortgage interest payments
- Utilities
- Up to 25% of the PPP can be used for non-payroll related expenses
- The eight-week period can apply to any time frame between February 15 and June 30, 2020

## REPAYMENT OF A PPP LOAN

Employers that meet all the requirements of PPP loan will have the loan turned into a grant and the loan will be forgiven. However, if some of the funds are spent on other business-related expenses such as supplies, that portion will remain as a loan and must be paid back. Any amount to be paid back will become a 2-year loan at a 1% interest rate. A borrower will work with their lender (the bank from which the loan was made), to verify covered expenses and the amount to be forgiven. This process will occur at the end of the eight-week loan period.

## HOW LAYOFFS ARE FACTORED INTO THE PPP

If after receiving a PPP loan, an employer lays off employees, then a portion of the funds (based on a formula related to the number laid off) will be identified as a loan and repayment will be necessary.

If the employer lays off employees as a result of COVID-19 related hardships **BEFORE** applying for the loan, and if the employer can rehire all employees by April 26, 2020, they can still be eligible for loan forgiveness. If employees are not rehired, the loan forgiveness will be reduced.

## WHAT IS NEEDED (AND NOT NEEDED) TO APPLY FOR A PPP LOAN

- The completed application: [Payroll Protection Program application](https://www.childcareservices.org/payroll-protection-program-application)
- 2019 IRS forms (tax return or 990) or 2018 forms, plus year-end income, expense and asset statements
- An applicant does not need to pledge any collateral and does not need to personally guarantee the loan
- There are no fees to apply for a PPP loan
- Providers apply at participating banks and credit unions





# EMERGENCY ECONOMIC INJURY DISASTER LOANS (EIDL) SPECIFICS

## PROGRAM ELIGIBILITY - BOTH PROGRAMS

Eligibility is the same for both programs. See page 1.

The **Emergency Economic Injury Disaster Loan (EIDL)** serves as a loan program to provide working capital to small business during or after a disaster, until normal operations can continue. Loans can be made up to \$2 million. With the CARES Act, an eligible applicant can receive an **emergency advance of up to \$10,000** to meet urgent business obligations, while waiting for their EIDL to be processed. The forgivable cash payment advance will be issued within three days of applying. The \$10,000 cash advance does not need to be repaid if the larger EIDL is not approved.



## ELIGIBLE EXPENSES - EIDL

- Paid sick leave for employees unable to work due to the direct effect of COVID-19
- Payroll costs in order to retain employees during business disruptions or substantial slowdowns
- Increased costs related to purchasing materials that are unavailable from the applicant's original source because of shortages in the supply chain
- Rent or mortgage payments
- Repayment of obligations that cannot be met due to losses in revenue

3.7% interest rate and payments can be deferred for a year. The CARES act waives certain loan eligibility requirements.

## HOW TO APPLY FOR AN EIDL

Providers apply directly to the SBA for EIDL loans with this [application](#).

The amount of the loan can be up to \$2 million with an emergency advance of up to \$10,000.

Applicants must self-certify their eligibility. Certain rules related to personal guarantees, length of operation and inability to get credit elsewhere have been waived in the CARES Act.

## REPAYMENT OF THE EIDL LOAN

An applicant is not required to repay any amounts of the emergency advance under EIDL, even if they are denied a larger loan (that they applied for when completing the EIDL application). The loan has a







# UNEMPLOYMENT COMPENSATION

The CARES Act includes new, additional supports to individuals who have been laid off due to the impact of COVID-19.

These expanded federal unemployment benefits include funds for:

- Self-employed individuals and others not traditionally eligible for benefits;
- An additional \$600 a week in unemployment benefits; and
- An additional 13 weeks of benefits.

Because each state operates its unemployment compensation program, each must enter into agreement with the U.S. Department of Labor. This agreement allows the state to administer the benefits, and pay for the federal portion available through the CARES Act. As of April 8, 2020, North Carolina's Department of Commerce, Employment Security Division was awaiting further guidance from the federal Department of Labor. Once that guidance has been received, the website reports that it will take about two weeks for benefits to begin to be paid.

Currently, without the CARES Act benefits being available, the maximum unemployment benefit amount in North Carolina is \$350 a week for 12 weeks (actual payments will vary). Keep in mind that there is always a 10 day waiting period before benefits start (so employers can respond to claim requests).

To file for unemployment in North Carolina, go online to the application [here](#). Or call the DES Customer Call Center at **1-888-737-0259**. There may be a long wait time due to the number of calls made to the call center.

The Employment Security Division has a list of frequently asked questions and information related to COVID-19 [here](#).





## FOR MORE INFORMATION

- [SBA Paycheck Protection Program application](#)
- [SBA Economic Injury Disaster Loan \(EIDL\) application](#)
- Contact the [Small Business Development Centers](#) located in North Carolina
- Contact the [Women's Business Centers](#) in North Carolina
- [NC Early Education Coalition](#)
- [NC Child](#)
- [The North Carolina Justice Center](#)
- [The North Carolina Division of Human Health and Services COVID-19 Businesses and Employers Updates](#)

## SOURCES

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THANK YOU TO OUR CHILD CARE WORKFORCE FOR YOUR INCREDIBLE DEDICATION AND PASSION DURING THE TIME OF COVID-19. WE WISH YOU ALL SAFETY AND GOOD HEALTH.



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