**COVID -19 – NEW FEDERAL LOAN PROGRAM CAN BE CONVERTED INTO A FEDERAL GRANT**

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Electronic security alarm monitoring may be essential businesses in today’s economy. That doesn’t mean we don’t have many of the same economic issues as other businesses when navigating the dangerous shoals of today’s uncharted economy. If you own an electronic security provider with fewer than 500 employees, consider the recently enacted federal program that looks like a loan program but, in reality, is very much an outright government cash grant designed to keep small business employees working until the economy bounces back.

The *Paycheck Protection Program*, part of the recently enacted federal CARES Act, sets aside $350 billion in federal grants for qualifying small businesses. (You can check out the program’s details here.) The program, administered by the Small Business Administration (SBA), applies to businesses that employ fewer than 500 employees. Applicants can borrow up to 2.5 times the company’s average monthly payroll for the past 12 months. (The total principal amount of the loan cannot exceed $10 million.) The loans are federally guaranteed and many of the usual SBA lending requirements are waived.

Perhaps most importantly, as long as the borrower uses the loan proceeds for certain permissible purposes – wages, salaries, rent, mortgage payments and utility payments – *the entire principal amount of the loan is forgiven*. And there doesn’t seem to be much of a catch.

To qualify for forgiveness, the loan proceeds can be used for one or more of the following uses:

* + Wages, salaries and other payroll costs (excluding compensation to employees earning more than $100,000 a year)
	+ Costs of group healthcare benefits during periods of sick, medical or family leave or medical insurance premiums
	+ Mortgage interest payments (but not principal payments)
	+ Rent
	+ Utility costs
	+ Interest on debt obligations incurred prior to February 15, 2020

The borrower must use the loan proceeds for permissible purposes during the eight-week period following loan origination, and the amount of the loan forgiveness is capped at the principal amount. Interest payments are not forgiven so there is some cost of capital. (The maximum interest rate for these loans is 4%, well-priced in this market.) The longest term for repayment is 10 years and the loans can be pre-paid without penalty (but the key here is to apply for loan forgiveness, effectively making the loan an outright government grant).

Unlike most loans, loan forgiveness does not impute taxable income to the borrower. The amount of loan forgiveness will be reduced, however, by amounts attributable to a borrower’s reduction in the number of employees, employee compensation or both during the same eight-week period.

The program also waives loan application and other fees, as well as the SBA’s usual lending requirements that the borrower must demonstrate it can’t borrow elsewhere and that the loan be personally guaranteed. Borrowers must certify that the loan is necessary to support the on-going operations of the borrower’s business given the uncertainty of the current economic conditions; that the proceeds will be used retain workers and maintain payroll or make mortgage, lease or utility payments; and the applicant is not receiving another loan under the program. The loans also qualify for certain regulatory relief, meaning lenders will be able to make the loans more easily.

The “Triple P” loans (as they are commonly called) are both unsecured (there is no collateral) and non-recourse to the borrower (meaning the borrower is not liable to repay the loan) unless the loan proceeds are not used for permissible purposes.

This looks very much like a perfect program for small businesses interrupted by the COVID-19 pandemic where the business wants to pay its employees and keep staff in place in the hopes of a quick start up when we all return to work. If you want help paying your employees for the next couple of months but don’t know where the money is coming from or you don’t want to commit strategic cash reserves, this program is for you.

To apply find an SBA lender near you. You can find your regional SBA office at this link - <http://www.newsmediaalliance.org/wp-content/uploads/2020/03/Copy-of-SBA-Lenders1.pdf>. Once you find your regional lender, clink on the link for that region and you can find a list of SBA approved lenders near you so you can begin the process. Don’t drag your feet – in this economy, it’s a safe bet there will be more demand that the $350 billion allocated for these loans. If you procrastinate, you’re likely to lose out. And here’s some free legal advice - don’t let a good thing like this program slip away.

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