



The CARES Act:

What You Need to Know
to Support Your Small
Business Borrowers

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The Impact of COVID-19 on Small Businesses

As authorities advise (or mandate) people to stay home in an effort to flatten the curve of the COVID-19 pandemic, to say that small businesses are suffering would be the understatement of the new decade.

An article published by *The New York Times* points out that most small businesses have only 15 to 30 days of cash on-hand.¹ As a likely result, “the disruption to businesses from coronavirus could lead to 15,000 permanent retail store closures in 2020, with the Economic Policy Institute predicting that the disease outbreak could potentially wipe out three million jobs from the U.S. economy before this summer.”²

On top of that, even when the global public health crisis is under control, a lot of companies expect it will take upwards of six months for their businesses to return to normal. According to the latest CNBC Global CFO Council survey, 40% of companies that already have or expect supply chain issues said it could take between three and six months to get business back to normal once the issues end – with 25% predicting the full six months.³



DID YOU KNOW?

Most small businesses have only **15 to 30 days of cash on-hand**.¹

Understanding the CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 (H.R. 748) is the single largest financial support package the U.S. has ever seen. The \$2 trillion package was drawn up in an effort to combat the economic damage from the COVID-19 pandemic. Its programs and initiatives include:⁴

- The Paycheck Protection Program (PPP) which allocates up to \$349 billion for a loan and grant program for small businesses
- Expansion of unemployment benefits with an increase of \$600 per week for a period of four months
- Direct payments to families of up to \$1,200 per adult and \$500 per child
- More than \$130 billion to hospitals, healthcare systems, and healthcare providers
- \$500 billion fund for loans to corporate America
- Cash grants of \$25 billion for airlines (in addition to loans), \$4 billion for air cargo carriers, \$3 billion for airline contractors for payroll support
- Ban on stock buybacks for large companies receiving government loans during the term of their assistance plus one year
- \$150 billion to state and local governments

Forbes recently interviewed Nicole Kaeding, Vice President of Policy Promotion and Economist with the National Taxpayers Union Foundation.⁵ “The CARES Act was all about economic relief. It was based on this idea that for the next several weeks, perhaps next several months, we have told businesses to shut their doors. Except for a few favorite industries, like grocery stores and banks, everyone else is at home. We need them to do that to control the public health response to the virus, but that means those businesses are taking a hit to revenue,” says Kaeding. “The CARES Act ... was about trying to put a floor underneath people and to make sure that businesses can stay afloat so that they don’t have to lay off as many people as they are.”

Understanding the Paycheck Protection Program

Of the \$2 trillion CARES Act support package, Congress has dedicated up to \$349 billion in loans and grants to small businesses. The effort known as the Paycheck Protection Program (PPP), which authorizes up to \$349 billion in forgivable loans, is intended to encourage financial institutions to lend funds to small businesses that agree to keep workers on the payroll. Most (if not all) of a loan would be forgiven if the borrower retained its workers and didn't cut their wages. The government would repay lenders for the forgiven portions of the loans.

The *New York Times* explains that “companies with 500 or fewer employees can apply, on a first-come-first-serve-basis, and [financial institutions] will give them the short-term funding they need to keep workers on the books and cover expenses as coronavirus quarantines dramatically slow, or entirely stop, their cash flow.”⁶

Who can apply?

According to the United States Department of the Treasury, all businesses – including nonprofits, veterans' organizations, Tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees. Businesses in certain industries can have more than 500 employees if they met applicable SBA employee-based size standards for those industries.⁷

What can small businesses use these loans for?

- Payroll costs, including:
 - » Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee)
 - » Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit
 - » State and local taxes assessed on compensation
 - » For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee
- Interest on mortgage obligations, incurred prior to February 15, 2020
- Rent, under lease agreements in force prior to February 15, 2020
- Utilities for which service began prior to February 15, 2020

Where can small businesses apply?

Through any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that's participating. Other regulated lenders will be available to make these loans once they're approved and enrolled in the program.



What is the Paycheck Protection Program (PPP)?

The PPP will provide cash-flow assistance through 100% federally guaranteed SBA loans. The loans are for small businesses that maintain their payroll during the pandemic and will be forgiven for up to eight weeks of payroll expenses. There will be no SBA fees and business owners will be able to defer payments for at least six months and up to a year in some cases. Banks, credit unions, and fintech lenders have been approved to facilitate these loans.

Introducing Jack Henry Lending's CARES Act Support

New solutions like Jack Henry Lending's CARES Act Support are trying to make it easier for you to do right by your community – via an automated, all-digital, borrower-friendly approach that can handle significant volume.

By working with Jack Henry Lending, you gain enhanced lending capabilities with the specific functionality your institution needs to immediately support PPP loans and help deliver fast economic relief to local businesses and their employees. You can digitally capture both the application and supporting documents for PPP loan requests, based on SBA guidelines and CARES Act provisions. The technology also includes built-in fraud and risk controls.

Small business borrowers simply utilize an intuitive, self-service user interface to enter the required information online and securely upload the supporting documents. Perhaps best of all for your borrowers and their employees in the communities you serve, these government-backed PPP loans will be forgiven if used for payroll and other business-critical costs.

Jack Henry Lending provides a portfolio approach for financial institutions to be able to offer PPP Loans.

Using the **portfolio** approach, you can accept applications and supporting documentation via a secure portal on your website. Regardless of whether applicants are current customers or members, you can offer borrowers a digital experience to an SBA relief loan under the PPP portion of the CARES act. You'll have final approval and verification responsibilities as well as maintaining the portfolio loan once it is funded.

In an April press release, Terry Renoux, group president of Jack Henry Lending, stated, "This global pandemic has created unprecedented challenges for businesses across the country, and banks and credit unions are in a unique position to help these organizations in their time of extreme need. Our lending solution enables financial institutions to accept digital applications immediately and automatically render conditional decisions while efficiently managing the significant increase in loan requests."

Renoux concludes, "This is also an opportunity for financial institutions to create and strengthen relationships with small businesses, who will remember the help far after the crisis passes."⁸

Jack Henry Lending provides a portfolio approach for financial institutions to be able to offer PPP Loans.



Visit us online to view solution overviews, review FAQs, and learn more about how this new solution will enable you to support your small business customers and members.

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