
Paycheck Protection Program: Treasury Department Takes Action To Ensure Vulnerable Small Businesses Have Access To Loans

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The Coronavirus Aid, Relief, and Economic Security Act (H.R. 748) (the “CARES Act”) implemented the Paycheck Protection Program through which small businesses and not-for-profit organizations with fewer than 500 employees can receive low-interest, small business loans to provide a much-needed cash infusion to help weather the storm created by COVID-19. Because of the popularity of the Paycheck Protection Program, likely due to the possibility of 100% loan forgiveness, the funds for the Paycheck Protection Program were depleted as of April 16, 2020. On April 24, 2020, an additional \$310 billion was added to the Paycheck Protection Program. The Treasury Department and the Small Business Association (the “SBA”) recently issued guidance to ensure that this latest tranche of funds is provided to the most vulnerable small businesses by clarifying what it means for a loan to be “necessary” — a requirement for receiving one under the CARES Act — and by excluding and discouraging certain larger borrowers from receiving loans who were able to do so under the original statute.

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