



## "THE VOICE OF COOPERATIVES"

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## **CARES ACT: SBA PAYROLL PROTECTION PROGRAM (PPP) & ECONOMIC INJURY DISASTER LOANS (EIDL)**

**Current Status:** The Small Business Administration (SBA) and the Department of Treasury have begun releasing the information that will guide the programs created through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Farmer cooperatives that meet the size criteria under these programs (generally under 500 employees for PPP) are eligible under both PPP and the EIDL program.

There was some initial confusion and uncertainty around whether SBA was going to make cooperatives eligible for PPP. However, after bringing the issue to the attention of senior leadership at USDA, we received confirmation through the Department today that farmer cooperatives are eligible. Attached is a letter to USDA and the Small Business Administration thanking them for action in ensuring that co-ops can access these programs.

**Payroll Protection Program:** Established under the CARES Act, PPP provides \$349 billion for small business loans to cover qualified payroll costs, rent, utilities, and interest on mortgage and other debt obligations. The loan amounts will be forgiven as long as:

- The loan proceeds are used to cover payroll costs and most mortgage interest, rent, and utility costs over the 8-week period after the loan is made; and
- Employee and compensation levels are maintained.

A fact sheet explaining PPP can be found here:

<https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

To obtain a loan, a qualifying small business should apply through an SBA- and Treasury-approved bank, Farm Credit institution, credit union, or nonbank lender. Treasury has indicated that applicants can begin obtaining loans from participating lenders as soon as Friday, April 3, 2020. To apply, borrowers must complete the application and submit payroll documentation. The application can be found here:

<https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

**Economic Injury Disaster Loan Program:** The SBA's EIDL program provides small businesses with working capital loans of up to \$2 million that can provide economic support to small businesses to help overcome the temporary loss of revenue. EIDL loans may be used to pay fixed debts, payroll, accounts payable and other costs, but are not intended to replace lost sales or profits and cannot be used for certain purposes, including to refinance debt, make payments on loans owed by another federal agency, to pay tax penalty obligations, or repair physical damages.

In response to the COVID-19 pandemic, small business owners are eligible to apply for an EIDL advance of up to \$10,000. The loan advance will provide relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available within three days of a successful application, **and this loan advance will not have to be repaid**, even if the loan is not approved, or even if approved and not taken. For EIDLs, borrowers apply directly to SBA. SBA's website contains further information and an online application:

<https://www.sba.gov/page/disaster-loan-applications#section-header-0>

Because SBA does not have much experience processing EIDL applications from cooperatives, the National Cooperative Business Association hosted a webinar with SBA to discuss how cooperatives should complete EIDL applications. The webinar, "Demystifying SBA's Economic Injury Disaster Loans," can be viewed at: <https://www.youtube.com/watch?v=9KjJCHcfpWg>

Updates on this and other issues, as well as links to the essential and critical workers guidance from many states, can be found on the NCFC COVID-19 web site at <http://ncfc.org/covid-19-response>.

For more information on SBA programs, please contact NCFC Staff Kevin Natz ([knatz@ncfc.org](mailto:knatz@ncfc.org)).