

# Frequently Asked Questions (FAQs) for CARES Act Stimulus and Other SBA Programs

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April 2020

**Q: What is the CARES Act?**

**A:** The CARES Act is the Coronavirus, Relief, and Economic Security Act and is an almost \$350 billion relief package to help keep small business workers employed.

**Q: Is it known by any other name?**

**A:** Also known as the Paycheck Protection Program (PPP). This is a 100% federally guaranteed loan to small businesses.

**Q: Is this a grant or a loan?**

**A:** It is a loan but can be forgivable if the borrowers maintain their payrolls either during or after the pandemic crisis.

**Q: So, is this loan forgivable?**

**A:** You must apply through your lender for forgiveness on your loan. Documentation will be needed for forgiveness, including: a verified number of employees on the payroll plus pay rates; and verified mortgage, lease, or utility payments.

**Q: Am I eligible for this loan?**

**A:** If you are a business with 500 or fewer employees, meet the Small Business Administration (SBA) definition of a small business, or are a sole proprietor, independent contractor, self-employed or a “gig”-economy worker, charitable nonprofit 501(c)3, veteran organization 501(c)(19), or a tribal business with fewer than 500 employees (this includes all full- and part-time employees) you are eligible. You must also have started your business prior to February 15, 2020. You can only make one PPP application per business.

**Q: How much can I borrow?**

**A:** Your loan size is determined by your average monthly payroll times 2.5 or 250%, or \$10,000,000 (whichever is less).

**Q: How much cash, credit, or collateral will I need to apply for this loan?**

**A:** There are no collateral or personal guarantees required to be eligible for this loan. You will also not be charged any loan closing-fees by either the lender or the government.

**Q: What can I use the loan for?**

**A:** The can be used to retain employees and maintain payroll. It can also be used for mortgage, lease, or utility payments, or paid sick/medical leave and insurance premiums.

**Q: What are the loan terms and interest rate?**

**A:** The maximum term is 10 years and the maximum interest rate is 4%. There are no loan fees or prepayment fees.

**Q: Where can I apply for this loan?**

**A:** All financial institutions that are currently recognized as Small Business Administration-SBA 7(a) lenders (e.g., banks, credit unions, Farm Credit System, and others). You do not apply directly to the SBA.

**Q: What other SBA programs are available to small businesses?**

**A:** Small businesses can also apply for 7(a) and 504 loans, as well as microloans and business counseling services. In a prior stimulus bill the \$10 billion dollar, Economic Injury Disaster Loan (EIDL) was also established for small business.

**Q: What does the EIDL program do?**

**A:** EIDL offers a \$10,000-per-business grant that is made as a direct deposit to your account. This is a first-come, first-serve program and it is unknown at this time whether a new federal allocation will be made available to this program when the funds are gone.

**Q: Who is eligible for this EIDL money?**

**A:** All businesses that were eligible for CARES and the PPP programs are eligible for EIDL.

**Q: Where do I apply?**

**A:** The CARES program requires application through a SBA certified 7(a) financial institution. The EIDL application will go directly through the SBA. The first day for applications to be accepted is Friday, April 3, 2020. If you applied before March 30, 2020, you must reapply.

**Q: Can I use EIDL money in the same way as the CARES/PPP program?**

**A:** No, funds from these programs must be used for different business purposes.

For further Iowa internet resources please reference:

Iowa Small Business Development Center (<http://iowasbdc.org/>)

Iowa Small Business Administration (<https://www.sba.com/iowa/>)

Compiled information for this FAQ came from:

- The Small Business Administration (SBA)
- The U. S. Senate Committee on Small Business & Entrepreneurship
- The U.S. Chamber of Commerce
- The Professional Developers of Iowa (PDI)
- The Ewing Marion Kauffman Foundation
- Lendio Financial Services

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