

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a \$2.2 trillion relief bill that was passed in response to the detriments caused by COVID-19. A \$350 billion portion of the bill comprises forgivable loans for small businesses of 500 or fewer employees, including auto dealers. The two loan programs that make-up this allocation are the Economic Injury Disaster Loan program (EIDL) and the Paycheck Protection Program (PPP). EIDL applicants receive a \$10,000 emergency grant within three days of applying and do not have to repay it if used to cover fixed debts, payroll, accounts payable and other bills.

Dealers operating as franchises that have franchise identifier codes assigned by the SBA are eligible for the benefits of the CARES Act. If you have multiple brands under one dealership the 500-employee limit will only apply if one of the brands has over 500. Dealers can apply for separate PPP loans for each brand. To see if your brand has a franchise identifier code visit <https://www.sba.gov/sba-franchise-directory>.

### IMPORTANT INFORMATION:

- » **OEM Brands with Franchise Identifier Codes:** Chrysler, Dodge, Jeep, Ram; Kia; Ford, Lincoln; Mazda; Mitsubishi; Subaru; Volvo; Cummins; Mack; Peterbilt
- » **Loan Period:** 2/15/20 – 6/30/20

#### Economic Injury Disaster Loans (EIDL)

- » **Loan amount:** up to \$2 million
- » **Rates:** 3.75% (2.75% for private non-profits)
- » **Term:** 15 or 30 years based on business's repayment ability
- » **Repayment Period:** 10 years
- » **Loan Fees:** No cost to apply for these loans
- » **Eligible businesses:** Small businesses and some sole proprietorships and non-profits
- » **Tax returns only required for loans over \$500K**
- » **Personal Guarantee:** Only for loans \$200,000+
- » **Collateral Requirements:** Yes, for loans \$25,000+
- » **Payment deferrals:** 1 year

#### Paycheck Protection Program Loans (PPP)

- » **Loan amount:** up to \$10 million
- » **Rates:** 1% on balance after amount forgiven
- » **Repayment Period:** 2 years on balance not forgiven
- » **Loan Fees:** No cost to apply for these loans
- » **Eligible businesses:** Small businesses and some sole proprietorships and non-profits
- » **Personal Guarantee:** No
- » **Collateral Requirements:** No
- » **Payment deferrals:** At least 6 months

If a dealer does not apply for the PPP loan, then there are Employee Retention Credits and Recovery Rebates also made available to them. The principal portion of the PPP can be forgiven for the eight-week period following the dispersal of the loan so long as only **25% or less** of the loan is used towards non-payroll expenses.

- » **If your total number of employees is greater than 500**, you might still be eligible if each dealership brand applies as a separate franchise within the entity.
  - » Therefore if there are three brands under one dealer group and each has 300 employees, **they can each apply for a loan if they qualify** and have a franchise identifier code even though the complete dealership is ineligible for the loan.

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