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Agents and their clients need to act fast if they intend to apply for economic relief

To our friends and clients,

This past Friday, March 27, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act which aims to provide relief for individuals and businesses who have been negatively affected by the coronavirus outbreak. The estimated [\\$2 trillion package](#), includes nearly \$377 billion specifically designed to assist small businesses in the form of extremely favorable and forgivable loans. Businesses receiving these loans must keep their existing employees actively employed through June 30th to qualify for loan forgiveness.

As businesses with fewer than 500 employees are likely eligible for the [Paycheck Protection Program](#), the vast majority of insurance agencies and their clients will qualify for assistance.

Highlights are outlined below:

- **Loans are forgivable**
- **No collateral or personal guarantees are required**

- **The loan term is up to 10 years**
- **Loans can be up to 2.5x your average monthly payroll costs, not to exceed \$10 million**
- **Funds can be used for payroll expenses, rent, utilities and interest on existing debt**

The chart below provides an example of how the total loan limit would be calculated for a hypothetical 50 employee agency. Note that the term “loan” is misleading since again the loan would be forgiven as long as the employees remain actively employed past June 30th.

Employee Role ¹ and (Number)	Past 12-Month Compensation Per Employee	Eligible Per Employee Payroll ²	Average Monthly Per Employee Payroll	# of Employees	Total Eligible Monthly Payroll
Executives (5)	\$250,000	\$100,000	\$8,333	5	\$41,667
Producers (15)	150,000	100,000	8,333	15	125,000
Service Staff (30)	60,000	60,000	5,000	30	150,000
Total	\$460,000	\$260,000	\$21,667	50	\$316,667
					2.5x
Eligible SBA CARES Loan					\$791,667

1. Assume all roles are paid the same annual compensation for simplicity

2. Eligible compensation is capped at \$100K per employee

An additional measure to help small businesses is the expansion of the [Economic Injury Disaster Loans \(EIDLs\) offered through the Small Business Administration \(SBA\)](#). These loans can go up to \$2 million and with a 30-year term at 3.75% interest but are not forgivable. Companies can apply for both the Paycheck Protection Loan and the EIDLs as long as the funds do not cover the same expenses.

Agencies or their clients looking for quicker funding might do better to apply for a Paycheck Protection Loan as those are funded by local banks. It is likely best to start with your existing bank, since local banks intend to use the SBA program to shore up their own loan portfolios. EIDLs, on the other hand, are supported through the Small Business Association rather than local banks and may take longer to process.

Applications for EIDLs are available now via the [SBA website](#) and applications for the Paycheck Protection loans will be available starting Friday, April 3. In the meantime, companies can prepare their materials using resources like this checklist from the [US Chamber of Commerce](#) or visiting banks' websites with SBA expertise, such as [Live Oak Bank](#).

allocation is limited and applications will be granted in order of receipt. Please pass this information along to those hardest hit by the recent economic conditions.

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