

Pennsylvania Putting Small Businesses First with New Program

Articles, COVID 19: Answers to Business Challenges March 30, 2020

New funding is now available to help small businesses impacted by the coronavirus under the Pennsylvania Industrial Development Authority's (PIDA) Small Business First Fund. It is known as the COVID-19 Working Capital Access Program (CWCA).

PIDA authorized making \$60 million available to provide loans of \$100,000 or less for eligible costs to for-profit businesses with 100 or fewer full-time employees. Eligible costs include working capital, which for purposes of this program is considered to be capital used by a small business for operations, excluding fixed assets and production machinery and equipment. Any eligible working capital cost incurred by the eligible business enterprise three months prior to submission of the loan application will count as an eligible cost toward either the loan amount or, if applicable, the matching investment requirement.

Retail and service businesses are able to incur eligible working capital costs up to six months prior to submission of the loan application. Loan terms are three years with a 12-year amortization. In addition, CWCA Program provides that (1) no payments will be due and payable during the first year of the loan, (2) principal and if applicable, interest payments will thereafter be due monthly for years two and three, and (3) a balloon payment will be due and payable at the end of the third year.

These loans will be secured by a blanket lien on all business assets currently owned or acquired in the future at the highest lien position available. The loan shall also be guaranteed by any individual or entity with a 20% or greater ownership interest in the eligible business enterprise.

In addition, the interest rate for the program is 0% except for agricultural producers in which case the interest rate is a fixed 2% rate for the life of the loan. All loan applications must be submitted through a Certified Economic Development Organization (CEDO). A list of CEDO's operating within Pennsylvania is available at dced.pa.gov/programs/covid-19-working-capital-access-program-cwca/.

If you have any questions on the CWCA Program, please reach out to your attorneys at Tucker Arensberg, P.C. or Ashley Wagner at awagner@tuckerlaw.com