How COVID-19 Loan and Grant Programs can Assist Small to Large Law Firms

At the core, law firms are also businesses, and the business world has been hit hard by COVID-19. With mandatory closures, market strains, and procedural disruptions, legal professionals are feeling the strain of this brewing financial crisis.

Law practices of all sizes, from solo practitioners to large firms, are facing some common challenges during the pandemic, including:

- **Strained Workforce –** Attorneys and firm staff are facing their own challenges under COVID. Illness, family obligations, financial struggles, and mental health all impact the legal workforce, which can spill over into law practices. Firm leaders may be faced with greater absenteeism or decreased availability of their employees. These changes came quickly, and many firms lacked the necessary tools to adequately handle them, resulting in financial strain.
- **Access to Capital –** Unexpected business interruptions can put a substantial strain on firms and their ability to meet financial obligations, such as payroll and overhead. Diminished access to capital can be detrimental to a firm's health and longevity.
- **Office Moderations –** In the age of COVID-19, firms must consider the health and safety of their employees and clients coming into the office space. This may require additional resources for cleaning and sanitization, as well as physical changes to promote social distancing.
- **Practice Area Demand –** While some legal practice areas will experience a significant uptick during and after the pandemic, other areas will see substantial downturns. These changes can greatly impact the ability of some firms to bring in clients and remain profitable.

Navigating the Financial Challenges

Much uncertainty surrounds COVID-19 and how it will affect the legal industry in the long run. Whether the situation improves or worsens, law firms need to consider the potential scenarios and develop a plan to address them. These plans may require economic resources that firms do not have readily available, making business loans and other financial assistance options necessary.

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act offers numerous resources to help lawyers and law firms impacted by the coronavirus pandemic. The available options include forgivable loans, disaster loans, grants, and more.

The following are some of the small business aid programs available under the CARES Act and similar initiatives:

- The Paycheck Protection Program provides $349 billion in Small Business Administration (SBA) administered loan and loan forgiveness relief to small businesses.
    - Eligible entities include businesses with fewer than 500 employees, sole proprietors, independent contractors, and people who are self-employed.
    - Loans are available in amounts of up to $10 million for expenses such as payroll, rent, mortgage interest, utilities, and certain group health plan costs.
    - Borrowers do not need to provide collateral or make a specific showing regarding coronavirus-related losses.
    - Lenders must defer all loan payments for a minimum of 6 months.
    - Loan proceeds spent on payroll, rent, mortgage interest, or utilities during the 8-week period after the loan is funded can be forgiven up to the full amount of the loan, and the forgiven amount is not considered taxable income. The forgiveness amount is subject to a reduction in the event of employee terminations or pay reductions.
    - Available until June 30, 2020.

- SBA Economic Injury Disaster Loans for businesses affected by the coronavirus pandemic providing low-interest SBA disaster assistance

loans in amounts of up to $2 million for expenses such as payroll and accounts payable.
    - These loans include a $10,000 immediate grant that can be awarded to borrowers within 3 days of applying.
    - Available until December 31, 2020
    - It cannot be used to pay for items for which a borrower has already used a Paycheck Protection Program loan.

- Other SBA Assistance – Businesses with an existing SBA Express Lender relationship may be able to obtain up to $25,000 through the SBA Express Bridge Loan Pilot Program while an economic injury disaster loan application is pending.
    - The SBA is providing debt relief to new 7(a) loan borrowers by covering principal and interest payments for 6 months.
    - The Community Advantage loan pilot program allows mission-based lenders to assist small businesses in underserved markets with a maximum loan size of $250,000. The uses of proceeds are the same as the standard 7(a) loan.

Many states and some localities offer additional financial resources that law firms can take advantage of during this time. For example, the state of Minnesota has implemented two loan programs available for businesses impacted by the coronavirus pandemic.

- The Small Business Emergency Loan Program offers $2,500 to $35,000 in loans to cover operating expenses. The loans have a 0% interest rate and five-year terms, and they are eligible for forgiveness. Businesses located within Minnesota that can show a negative impact from the pandemic are eligible to apply.
- The Minnesota Small Business Loan Guarantee Program will provide an 80% guarantee on loans of up to $200,000 to help lenders provide funding to businesses based in Minnesota with less than 250 employees.

The San Francisco Hardship Emergency Loan Program (SF HELP), provides local businesses with 0% interest rate loans up to $50,000 at terms of up to six years. The business must demonstrate a 25% drop in revenue since January 1, 2020.

Like many cities around the country, the City of San Francisco initiated a moratorium on evictions for small- and medium-sized businesses whose revenue has been affected by the coronavirus. The city has put additional renter protections in place, which would allow struggling law firms to enter into a manageable payment plan or apply for a hardship waiver if they cannot pay their rent due to COVID-19.

In addition to government-backed initiatives, many private lenders also offer loans and financial assistance programs to help law firms through these times. Firm leaders should check with their banking institute for the possibility of loan deferments or forbearance.

Amazon Neighborhood Small Business Relief Fund is aiding small businesses in Washington State with 50 employees or less, or that take in less than $7 million in annual revenue. The Facebook Small Business Grants Program is offering cash grants and Facebook advertising credits to small businesses around the globe. Law firms could use this resource to revamp their marketing strategies as they seek to remain viable through COVID.

Financial Help is Available

The economic ramifications of the coronavirus pandemic have left many law firms and attorneys struggling to maintain their operations. Fortunately, there are numerous government and private resources available to help with these needs, including grants, emergency loans, and assistance from community organizations.

About Erika Winston:

Erika Winston is a freelance writer with a passion for law. Through her business, Personal Touch Edits, she helps legal professionals deliver effective written messages. Erika is a regular contributor to TimeSolv and a variety of other publications.