

The CARES Act's Paycheck Protection Program

Source: U.S. Small Business Administration Website as of 4/2/2020

<https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp#section-header-6>

What is the Paycheck Protection Program?

This program's primary intent is for small businesses to be able to keep people on payroll. Eligible small businesses can get a loan to cover certain business costs incurred between February 15, 2020, and June 30, 2020 including payroll, group healthcare costs, mortgage interest, rent and utilities. The more of the loan you use to cover payroll costs, the more of the loan will qualify as forgivable (you don't have to pay forgivable portions of the loan back).

Who can apply for and get this loan?

Small businesses with up to 500 employees can apply for the loan. Some provisions of the law apply slightly differently to businesses with less than 100 employees. 501(c)(3) nonprofits are also eligible for this loan.

Certain foodservice and hospitality companies are afforded special considerations. For these businesses, if they have 500 or more employees across multiple locations, they are eligible to look at each physical location that has less than 500 employees and apply for a loan accordingly. This special consideration is not extended to other industries.

What can the loan be used for?

For 8-weeks after origination, the loan can cover payroll costs, mortgage interest payments, rent, utilities, interest on prior debt and group healthcare costs for employees.

Do I have to pay the loan back?

Yes, but not necessarily all of it.

A portion of the loan that is used for payroll costs as well as interest paid on specific mortgage, rent and utility payments between February 15, 2020 and June 30, 2020 is forgivable. Also, this forgivable amount will NOT be taxable as business income.

If you lay off employees or reduce some employees' salaries more than 25% it will affect how much of your loan is forgivable. The calculations are still in the works, but it is likely that the forgiven amount will depend on how much of the loan covers payroll costs and 75% of the loan amount must be used to cover payroll for it to be forgiven.

To ensure you're eligible for forgiveness, keep detailed records that verify the employees you keep on payroll, the wages you pay, and other qualified expenses you pay during the covered period.

What if I already laid off employees?

Because the loans intent is to keep people on payroll, if you rehire employees that you laid off because of the COVID-19 crisis prior to February 15, 2020, or if you restore salary for employees whose salaries you reduced, you will restore your eligibility for forgiveness.

What are the loan terms?

The loan has an interest rate of 0.5% and a maturity of 2 years. There is an automatic 6 month deferral period on this loan (no interest, no premiums) which can be extended for up to 1 year. Lenders are not allowed to charge application fees or closing costs. You are not required to put up any collateral or personal guarantee on the loan.

How much of a loan can I get?

The loan can be up to 2.5x a business' average monthly payroll cost, up to \$10 million.

Who do I get the loan from?

The loans are being issued via the Small Business Administration's (SBA) network of 7(a) lenders (these are mostly banks). There are new lenders such as credit unions and community development financial institutions (CDFIs) who will also be eligible to make the loans.

- If you have an existing relationship with a bank or lender, we encourage you to contact your bank or lender.
- Contact your accountant to let him or her know you're considering for or applying for this loan
- If you do not have existing relationships with banks, lenders or financial professionals, please contact (BBA? REV? WHO?)

Key Dates to Know:

- April 3, 2020 - lenders begin processing loan applications for small businesses and sole proprietors
- April 10, 2020 - lenders begin processing loan applications for independent contractors and self-employed workers
- June 30, 2020 - loan applications can apply until this date, but funding is capped so applicants should apply ASAP

What do I need to apply?

Begin gathering documents including:

- Payroll documents for 2019 and 2020 to include payment on group health benefits, including premiums paid, and any retirement benefits
- General 2019 company financial information

To get a more detailed sense of the documentation you will need to apply, [download the sample application form from the SBA.](#)