Paycheck Protection Program (PPP) Loans

Small businesses can take advantage of this unique program, which can provide cash flow assistance via 100 percent federally guaranteed loans to employers who maintain their payrolls during this emergency. The loans will be forgiven if these employers continue to maintain their payrolls, allowing staff members to remain employed while helping affected small businesses weather the crisis period.

PPP has a host of attractive features, such as:

- Forgiveness of up to eight weeks of payroll based on employee retention and salary levels
- No SBA fees
- At least six months of deferral with maximum deferrals of up to a year.

Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between Feb. 15, 2020 and June 30, 2020. Consider the following FAQs as you navigate your PPP loan application process.

What types of businesses and entities are eligible for a PPP loan?

- Firms that were in operation as of Feb. 15, 2020.
- Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that has fewer than

500 employees, or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.

- Individuals who operate as sole proprietors or as independent contractors and eligible self-employed individuals.

- Firms that employ fewer than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72, for which the affiliation rules are waived.

- Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company.

What are affiliation rules?

Affiliation rules become important when the SBA is deciding whether a business's affiliations preclude them from being considered "small." Generally, affiliation exists when one business or third party controls or has the power to control another.

What types of nonprofits are eligible?

In general, 501(c)(3) and 501(c)(19) nonprofits with 500 employees or fewer are eligible.

How is the loan size determined?

Depending on your business's situation, the loan size will be calculated in different ways. The maximum loan size is always $10 million.

- Except for seasonal employers, your max loan is equal to 250 percent of your average monthly payroll costs incurred during the one-year period before the date on which the loan is made. For seasonal employers, the max loan is equal to 250 percent of your average monthly payroll costs for the 12-week period beginning Feb. 15, 2019, or at the election of the eligible recipient, March 1, 2019, and ending June 30, 2019.

- If you were not in business between Feb. 15, 2019 and June 30, 2019, your max loan is equal to 250 percent of your average monthly payroll costs between Jan. 1, 2020 and Feb. 29, 2020.

- If you took out an Economic Injury Disaster Loan (EIDL) between Feb. 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

Which costs are eligible for payroll?

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)

- Payment for vacation, parental, family, medical, or sick leave

- Allowance for dismissal or separation

- Payment required for the provision of group health care benefits, including insurance premiums

- Payment of any retirement benefit

- Payment of state or local tax assessed on the compensation of employees

Which costs are not eligible for payroll?

- Employee/owner compensation over $100,000

- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code

- Compensation of employees whose principal place of residence is outside of the U.S.

- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

What are allowable uses of loan proceeds?

- Payroll costs (as noted above)

- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums

- Employee salaries, commissions, or similar compensations (see exclusions above)

- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)

- Rent (including rent under a lease agreement)

- Utilities

- Interest on any other debt obligations that were incurred before the covered period

What are the loan terms, interest rate and fees?

For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is four percent, and there are zero loan fees and zero prepayment fees (SBA will establish application fees caps for lenders that charge).

How is the forgiveness amount calculated?

Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered eight-week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over $100,000):

- Payroll costs plus any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) plus any payment on any covered rent obligation and covered utility payment.

How do I get forgiveness on my PPP loan?

You must apply through your lender for forgiveness on your loan. In this application, you must include:

- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and state income, payroll and unemployment insurance filings.

- Documentation verifying payments on covered mortgage obligations, lease obligations and utilities.

- Certification from an authorized representative of your business or organization stating that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.

What happens after the forgiveness period?

Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of four percent. Principal and interest will continue to be deferred, for a total of six months to a year after disbursement of the loan. The clock does not start again.

Can I get more than one PPP loan?

No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

Where should I get my PPP loan?

All current SBA 7(a) lenders are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including nonbank lenders, to help meet the needs of small business owners.

How does the PPP loan coordinate with SBA's existing loans?

Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs). However, you cannot use your PPP loan for the same purpose as your other SBA loan(s).
For example: If you use your PPP to cover payroll for the eight-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers.

How does the PPP loan work with the temporary Emergency Economic Injury Grants and the Small Business Debt Relief program?

Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan, as long as there is no duplication in the uses of funds.