

What is the Paycheck Protection Program?

It is a program set up to aid small businesses and their employees through the COVID-19 crisis. It provides provisions for loans that under certain criteria may be forgiven. This means that a portion or all of the loan will be converted to a grant if the criteria is met.

Who can get these loans?

Federally guaranteed SBA loans are available to businesses with 500 or fewer employees, including corporations, partnerships, sole proprietorships, independent contractors, certain nonprofit organizations, veterans' organizations, and Tribal businesses. Restaurant and hotel entities are eligible to apply the 500 or fewer employee test on the basis of each physical location. Special rules apply to hotel and restaurant businesses operating as franchises, and certain generally applicable affiliation rules are waived for hotel and restaurant franchises. The size standards are tested on an affiliate basis—combined with all businesses under common control (50% ownership or contractual control)—counting on an aggregate basis towards the size test. The other requirement is to have been in business as of February 15th 2020.

What are the terms for the loan?

- No personal or collateral guarantee will be required.
- The eligible recipient does not have to certify that it is unable to obtain credit elsewhere.
- Eligible borrowers must make a good faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19; that funds will be used for a permitted purpose; and that they are not receiving fund from another SBA program for the same uses.
- Maximum term of loan is 10 years.
- Interest rate cannot exceed 4% but interest payments are completely deferred for 1 year.
- No prepayment penalty.
- Under the CARES Act, the loan period for this program would begin on February 15, 2020, and end on December 31, 2020, during which time any application must be submitted. The program would cover businesses with fewer than 500 employees (unless the covered industry's SBA size standard allows more than 500 employees).

How do I get the loan forgiven?

Following a detailed application, the loan will be eligible for partial forgiveness in an amount (not to exceed the principal amount of the loan) equal to the sum of payroll costs, payroll support such as paid sick or medical leave, rent and utilities expenses, and interest payments on mortgages so long as any such lease, mortgage, or utility was in service prior to February 15, 2020 and, in each case, paid during the eight-week period commencing on the date of the loan.

Loans will be made by lenders who are participants in the SBA's Section 7(a) program and those lenders will also decide whether to accept a borrower's application for forgiveness. Such decision must be made within 60 days of receipt of the application for forgiveness. Not later than 90 days after the loan forgiveness amount has been agreed by the lender, the SBA is authorized to reimburse the lender directly for the principal amount of any forgiven debt, plus interest accrued through the date of repayment.

The amount of any loan forgiveness will be reduced by any meaningful reductions in employee wages (in excess of 25% for any employee) or layoffs of employees during the covered period in accordance with the terms of the program.

Any loan amount not forgiven at the end of one year is carried forward as an ongoing loan with a maximum term of 10 years and a maximum interest rate of 4%.

Detailed accounting and complete and accurate recordkeeping will be vital to taking advantage of these provisions.

What expenses will be forgiven?

The borrower shall be eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date (The date on which the loan is funded) on payroll costs, interest payment on any mortgage incurred prior to February 15, 2020, payment of rent on any lease in force prior to February 15, 2020, and payment on any utility for which service began before February 15, 2020. Rental payment under a lease in effect as of January 1, 2020, would be eligible for forgiveness while rental payment under a lease effective as of March 15, 2020, would not. Eligible payroll costs do not include compensation above \$100,000.

Can I pay insurance premiums with the loan?

Yes, you can use the loan to pay for insurance premiums, but the money spent on premiums will not be included in the forgiven amount.

What if I have already laid off workers or cut wages beyond 25%?

To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period. Employees terminated between February 15, 2020 and 30 days after passage of the CARES Act, but rehired by June 30, 2020, qualify so long as they're fully paid as if they weren't terminated.

How do I apply for a loan?

The loans will be available through the US Small Business Administration. The loans will be provided by their approved lending partners. The aim is to have these loans available within 15 days after the bills signing. Once available they should be found at <https://www.sba.gov/funding-programs/loans>