



PAYCHECK PROTECTION PROGRAM

CARES Act Business Assistance Program

(April 1, 2020)

THE APPLICATION FOR THE PAYCHECK PROTECTION PROGRAM CAN BE FOUND HERE:
[PPP Application](#)

Small businesses and sole proprietorships will be able apply for Paycheck Protection loans starting April 3. Independent contractors and self-employed individuals can apply for loans starting April 10.

The Paycheck Protection Program provides funding for small businesses to maintain operations during this crisis, as well as an incentive to maintain employment levels.

The benefits of this program include:

- ✓ **Broaden Eligibility, Waived Fees, Relaxed Requirements.** Participation in the program is open to all small businesses and 501(c)3, sole proprietors, 1099's, and independent contractors. In order to account for COVID-19's disproportionate impact on the restaurant and hospitality sectors, individual locations of companies in those sectors will also be eligible.
- ✓ **Loan to Cover Operating Expenses.** The program would provide a loan equal to 2.5x its monthly payroll expenses. The loan can pay for payroll, rent, and utilities.
- ✓ **Loan Forgiveness.** Borrowers could have eight weeks of payroll, rent, mortgage payments, and utilities forgiven if they maintain their workforce.
- ✓ **Incentives to Rehire.** While reductions in workforce usually result in a reduction in loan forgiveness, the legislation allows companies that already laid off workers to rehire them while still benefitting from full loan forgiveness.
- ✓ **Expedited and Streamlined Application Process.** The program operates directly through financial institutions; fees and requirements like collateral are waived. Applicants are not required to demonstrate any specific hardship, only make a good faith certification of the loan's necessity and that it will be used to retain workers.

Frequently Asked Questions (FAQs)

How does this program work?

The Paycheck Protection Program operates via SBA's existing 7(a) lending program, through which SBA offers guarantees on loans made by participating financial institutions. Applicants apply directly through a participating financial institution, and, if approved, receive an SBA guarantee on their loan.

Further, the Paycheck Protection Program:

- ✓ Waives application fees.
- ✓ Waives the requirement that an applicant cannot find credit elsewhere.
- ✓ Waives requirements for collateral and personal guarantees.

What is the loan amount and what expenses are covered?

The loan may be used for all business expenses including payroll, rent, mortgage interest, and utilities.

The amount of the loan is calculated on payroll costs, amounting to the recipient's average monthly payroll costs over the previous year, times 2.5 (ie, the loan amounts to two and a half months of payroll costs.)

Payroll costs consist of: (1) salary, wage, commission, or similar compensation; (2) cash tip or equivalent; (3) payment for vacation, parental, family, medical, or sick leave; (4) dismissal or separation pay; (5) health care or retirement benefits; (6) state and local payroll taxes; and (7) payments to sole proprietors and independent contractors that are a wage, commission, income or otherwise net earnings from self-employment.

How do I apply?

Applicants for the Paycheck Protection Program apply directly through an existing bank/financial institution, credit union or any other federally insured depository institution.

To apply, borrowers will submit the short application to their lender. That application consists of a simple good faith certification that the borrower needs the loan to support their ongoing operations.

Applicants should also expect to submit tax documentation of payroll numbers confirming their eligibility to participate in the program and allowing the calculation of their maximum loan amount.

Additionally, contractors and sole proprietors can establish their eligibility with payroll tax filings, Form 1099-MISC, and documentation of income and expenses.

How does the forgiveness work?

Loans made under the program can be forgiven for the total amount that the borrower spent on payroll (capped at \$100,000 for each employee on an annualized basis) mortgage interest, rent, and utilities in the eight weeks following their loan's origination.

Additionally, employers are allowed to make extra payments to tipped employees to account for their loss of tips.

The forgiven debt is not counted in taxable income.

Any portion of the loan not forgiven will remain guaranteed by SBA and have a 2-year maturity and .5 percent interest rate. Lenders will be required to defer payment of that loan for six months.

To apply for the forgiveness, the borrower will submit to their lender documents including:

- ✓ state or federal payroll documents;
- ✓ documentation of mortgage interest, rent, or payroll expenses;
- ✓ certification that the information is true; and
- ✓ any other documentation that SBA determines is appropriate.

The lender will then have 60 days to determine the appropriate level of forgiveness, at which point SBA would purchase and forgive the relevant amount of the initial loan.