

Payment Protection Program (PPP) Loans

- This program provides cash-flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during this emergency.
- PPP features:
 - forgiveness of up to 8 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
- This program would be retroactive to February 15th, 2020 in order to help bring workers who may have already been laid off back onto payrolls
- Loans are available through June 30th, 2020.

Who is eligible?

- Businesses and 501(c)(3) non-profits, business concerns operating as a franchise that is assigned a franchise identifier code by the Administration, individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals
 - Must employ no more than 500 employees per physical location

How is the loan size determined?

- If you were in business February 15th, 2019 - June 30th, 2019: Your max loan is equal to 250% of your average monthly payroll costs during that time period
 - If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date
- If you were not in business between February 15th, 2019 - June 30th, 2019: Your max loan is equal to 250% of your average monthly payroll costs between January 1, 2020, and February 29th, 2020.
- If you took out an Economic Injury Disaster Loan (EIDL) between February 15th, 2020 and June 30th, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum

What are allowable uses of loan proceeds?

- Payroll costs (see below)
- 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 costs are eligible for payroll?	What costs are <u>not</u> eligible for payroll?
<ul style="list-style-type: none"> -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 provisions 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 	<ul style="list-style-type: none"> -Employee/owners 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.

Loan terms, interest rates, and fees

- Maximum term: 10 years, maximum interest rate: 4%, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge)

How is the loan forgiveness amount calculated?

- Forgiveness is equal to the sum of the following payroll costs incurred during the covered 8-week period compared to the previous year or time period: payroll costs plus any payment of interest on any covered mortgage obligation, plus any payment on any covered rent obligation, plus any covered utility payment
- SBA will forgive loans if all employees are kept on the payroll for 8 weeks and the money is used for payroll, rent, mortgage interest, and utilities (at least 75% of the forgiveness amount must have been used for payroll)
- Forgiveness is based on an employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease

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 # of employees on payroll and pay rates, including IRS payroll tax filing and State income, payroll and unemployment insurance filings
 - Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities
 - Certification from a representative of your business or organization that is authorized to certify 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

How to apply

- You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating
- Lenders may begin processing loan applications as soon as April 3rd, 2020.
- Sample SBA form to begin preparing your application [here](#).