

On Friday, April 3, 2020, lenders across the country could begin approving Small Business Administration Paycheck Protection Program loans (PPP) to businesses with 500 or fewer employees. Lenders can accept and award loans through June 30, 2020. Please note, lenders are overwhelmed and just beginning to receive guidance from the Federal Government on how to proceed and process loans, making delays and confusion likely.

Where Do I go for the PPP Loan?

Loans are provided by private lenders, not the Federal Government/Small Business Administration. Businesses should speak to their traditional lender, bank, community bank, credit union.

What are the Loan Terms?

- Loan due in 2 years at 1.00% fixed rate with payments deferred 6 months
- Capped at \$10 million with formula based on avg. total monthly payments of previous 2019 average payroll, mortgage, rent, payments on other debt
- 1st 8 weeks of payroll, rent, mortgage interest, utilities under loan is forgiven if do not reduce payroll (have until June 30 to restore to pre-COVID-19 payroll levels)
- Full principal plus interest is forgiven if at least 75% if the loan used for payroll
- Personal guarantee and collateral requirements eliminated

For What Can a Business Use the Loan?

- Payroll costs;
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
- Mortgage interest payments (but not mortgage prepayments or principal payments);
- Rent payments;
- Utility payments;
- Interest payments on any other debt obligations that were incurred before February 15, 2020;
- Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020
- Cannot use for mortgage prepayments or principal
- Cannot use loan to cover Emergency Paid Sick Leave/FMLA if claiming the refundable tax credit

What are “Payroll Costs”?

- Compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation;
- Cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips);
- Payment for vacation, parental, family, medical, or sick leave;
- Allowance for separation or dismissal;
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
- Payment of state and local taxes assessed on compensation of employees; and
- For an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation

What is an Example of the Loan Amount Calculation?

- Annual payroll: \$1,500,000
- Some employees make more than \$100,000
- Subtract compensation amounts over annual salary of \$100,000 = \$1,200,000
- Average monthly qualifying payroll - \$1.2m ÷ 12 months = \$100,000
- Multiply avg. monthly qualifying payroll by 2.5 = \$250,000

Maximum loan amount is \$250,000

What is Some of the Information I Should Begin to Prepare?

- 2019 IRS Tax filings along with state and local;
- Proof of payroll/business operating as of February 15, 2020;
- Payroll costs – consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips);
- Payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
- Payment of state and local taxes assessed on compensation of employees;
- Utilities, Rent, Mortgage Interest payments

What Incentives/Protections Exist for Lenders?

- Waives the 30-day wait period for SBA under the Administrative Procedures Act
- Gives all lenders delegated authority and streamlines the requirements of the regular 7(a)
- SBA will allow lenders to rely on certifications of the borrower in order to determine eligibility of the borrower
- For loans made under the PPP, SBA will not require the lenders to comply with section 120.150 “What are SBA’s lending criteria?.”
- Lenders held harmless for borrowers’ failure to comply with program criteria;
- The lender does not need to conduct any verification if the borrower submits documentation supporting its request for loan forgiveness and attests that it has accurately verified the payments for eligible costs. The Administrator will hold harmless any lender that relies on such borrower documents and attestation from a borrower.
- When evaluating an applicant’s eligibility lenders will not be required to apply the “credit elsewhere test”
- Prohibits the Administrator from taking an enforcement action or imposing penalties if the lender has received a borrower attestation.
- The Administrator will purchase the expected forgiveness amount of the PPP loan(s) within 15 days of the date on which the Administrator receives a complete report that demonstrates that the expected forgiveness amount is indeed reasonable.

What are the Key Documents, Applications, the Business Should Review?

- [Payment Protection Program Loan BORROWER Application \(PPP\)](#)
- [PPP LENDER Application](#)
- [Main Department of Treasury PPP Page](#)
- [Treasury Department Fact Sheet for BORROWERS](#)
- [Treasury Department Fact Sheet for LENDERS](#)
- [Final Treasury Department PPP Rule](#)