Paycheck Protection Program (PPP)

Q&A for Small Business Owners

The $2 trillion financial relief package, Coronavirus Aid, Relief and Security (CARES) Act, was passed last week and signed by President Trump. This law is racing to roll out a wide variety of stimulus programs designed to:

- deliver immediate, direct financial payments to the American people
- enhance state unemployment payments to workers who are losing their jobs
- provide financial aid and emergency loans to small businesses
- make loans to some larger corporations in industries that have been most heavily impacted by the government shutdowns during the COVID-19 pandemic

The Treasury Department and Small Business Administration, in cooperation with the Department of the Treasury, has opened a new Paycheck Protection Program for businesses with fewer than 500 employees.

Goal of the Paycheck Protection Program (PPP)

The stated goal of the PPP is to help small businesses keep employees on their payroll during the COVID-19 crisis. It gives employers a direct incentive to retain workforce by forgiving the loan if all employees are kept on the payroll for eight weeks and the money borrowed is used for payroll, rent, mortgage interest, or utilities. In other words, if your business uses the loan primarily to pay and retain your workforce, you will not need to repay the loan at the end of the term.

Who can apply for a loan?

Any business with less than 500 employees can apply for a PPP loan, including sole proprietorships, independent contractors and self-employed persons, private non-profit organizations or 501(c)(19) veterans organizations affected by coronavirus/COVID-19.

Additionally, businesses in the hospitality and food industry operating more than one location could be eligible if their individual locations employ less than 500 workers, even if the hotel or restaurant chain has a much larger combined workforce.

Finally, “businesses in certain industries may have more than 500 employees if they meet the SBA’s size standards for those industries.”
For the purposes of applying for a loan, “all parties listed below are considered owners of the Applicant as defined in 13 CFR § 120.10, as well as “principals”:

- For a sole proprietorship, the sole proprietor;
- For a partnership, all general partners, and all limited partners owning 20% or more of the equity of the firm;
- For a corporation, all owners of 20% or more of the corporation;
- For limited liability companies, all members owning 20% or more of the company; and
- Any Trustor (if the Applicant is owned by a trust).”

**How to apply for the PPP**

You can apply for the PPP between April 3, 2020 and June 30, 2020.

Begin the process by downloading the [PPP Borrower Application Form](#). To fill it out, you will need to have information about how many employees you have, your average monthly payroll, and how you will use the loan. Note that the funds must be used primarily (75% or greater) to make payroll and/or pay independent contractors.

On the form, the owner(s) will need to certify that the business is applying for a PPP loan in order to retain workers and maintain payroll and that the loan request has been made necessary by “current economic uncertainty.”

Next, take the application to an approved, participating lender. This includes any existing SBA 7(a) lender and any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.

Consult with your local lender to see if they are already participating in the PPP, or if not, ask if they can direct you to another institution. Additional lenders are applying now and will soon be approved and enrolled in the program.

**How to calculate average monthly payroll**

The SBA defines how to calculate average monthly payroll in this way:

- Most Applicants will use the average monthly payroll for 2019, excluding costs over $100,000 on an annualized basis for each employee.
- For seasonal businesses, the Applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs over $100,000 on an annualized basis for each employee.
• For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over $100,000 on an annualized basis for each employee.

What are payment terms?

PPP loans have a maturity term of 2 years and an interest rate of 1%. Loan payments will be deferred for six months. Businesses and business owners will not be required to put up any collateral or personal guarantees, and neither the U.S. government nor the lenders will charge small businesses any fees.

How can you ensure the loan will be forgiven?

According to the SBA, a PPP loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. At least 75% of the amount borrowed must have been used for payroll.

Forgiveness is based maintaining (or quickly rehiring) your employees and maintaining salary levels. Your forgiveness will be reduced if your full-time headcount declines, or if salaries and wages decrease.

Study and apply for federal Coronavirus relief options

The PPP is not the only COVID-19 financial assistance available to business owners. There are also programs for SBA Express Bridge Loans, SBA Debt Relief and Economic Injury Disaster Loan (EIDL) Emergency Advances.

Remember to also check with your state’s Secretary of State or Economic Development department to see if your business is eligible for any special loan programs at the state level.

Treasury Secretary Steve Mnuchin stated the Treasury Department and the Federal Reserve are working together to stand up other lending facilities, including one aimed at midsized businesses called the “Main Street Lending Facility.”