

# SBA – PAYCHECK PROTECTION PROGRAM

The Paycheck Protection Program (PPP) is part of “The Coronavirus Aid, Relief, and Economic Security Act” (CARES Act) that was recently signed into law. The PPP provides short-term cash flow assistance to small businesses to support their employees during this time of economic distress. Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward. The administration will soon release more details including the list of lenders offering loans under the program. See the brief summary below.

## Eligibility Period

- PPP loans must be made for the period prior to June 30, 2020

## PPP Eligible Businesses

- Businesses with less than 500 employees, operations as of February 15, 2020, and were substantially impacted by COVID-19.
  - » Businesses not eligible are churches, cannabis companies, casinos, land developers, and any business involved in an illegal or prurient activity are not eligible per federal law
  - » Affiliation rules of limiting to one entity are waived for this loan in certain industries

## Use of PPP Loans

- The funds received under the PPP loan requirements must be for the following expenses:
  - » Payroll (salaries, wages, vacation, parental, family, medical, or sick leave, severance, retirement benefits, and state or local taxes)
  - » PPP funds cannot be used to pay salaries over \$100,000
  - » Costs for related group health care benefits
  - » Employee commissions and tips
  - » Interest on mortgage payments (not applicable for principal portion of payments) and on additional debt incurred prior to obtaining the loan
  - » Rent and utilities

## Payment Forgiveness

- For the first 8 weeks from the origination date of the loan, specified funds may be forgiven when used for payroll costs, mortgage interest, rent, and utility as described above.
- The amount of loan forgiveness cannot exceed the principal amount of the loan
- To get the full benefit of loan forgiveness, the business must keep their employees and pay at least 75% of their prior year compensation
- The amount of forgiveness will be reduced by the comparison of current year and prior year Full Time Employees.
- Businesses must submit applicable supporting documentation to request the available loan forgiveness

## Payment Deferral

- Payments can be deferred for 6 months up to one year

## PPP Loan Terms

- Loan amounts can be as large as 250% of the business's average monthly payroll cost over the last 12 months not to exceed \$10M
- Salaries over \$100,000 not counted in this payroll calculation
- Interest rates cap at 4%
- Terms can be up to 10 years from the origination date
- No collateral or personal guarantee
- No requirement to show inability to obtain credit elsewhere

