

PAYCHECK PROTECTION PROGRAM GUIDE



The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted on March 27, 2020, includes a key provision – the **Paycheck Protection Program** – that expands the U.S. Small Business Administration’s (SBA) existing 7(a) loan program. The program provides **\$349 billion** for small businesses to cover near-term operating expenses and keep their employees.

WHO IS ELIGIBLE FOR THE PAYCHECK PROTECTION PROGRAM?

The Paycheck Protection Program is available to small businesses, 501(c)(3)s, Tribal businesses, and veterans organizations that:

- Have less than 500 employees or are self-employed individuals (sole proprietors or independent contractors)
- Were in business on February 15, 2020
- Paid payroll taxes on employees or paid independent contractors

Also eligible are accommodation and food service businesses (NAICS Code 72) with 500 or fewer employees per location.

Businesses in certain industries with more than 500 employees may be eligible if they meet applicable SBA size standards for those industries, which can be found at [this link](#).

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THE INFORMATION CONTAINED HEREIN IS AS OF APRIL 1, 2020 AND SUBJECT TO CHANGE.

HOW DOES THE PAYCHECK PROTECTION PROGRAM WORK?

- Eligible entities can apply for loans made directly by participating institutions
- The covered loan period is February 15, 2020 - June 30, 2020
- Loans can be used for:
 - Payroll costs, including: salaries/wages; paid vacation, parental, family, medical, or sick leave; allowance for dismissal or separation; group health care benefits; retirement; payment of state and local taxes assessed on the compensation of employees; and the sum of payments to an independent contractor
 - Interest on mortgage obligations
 - Rent / lease payments
 - Utilities
 - Interest on existing debt
- No personal/individual guarantees required; SBA guarantees 100% of the loan
- Borrowers must provide good faith certification that the loan is necessary because of economic uncertainty caused by COVID-19 and will be applied to allowable uses

LOAN FORGIVENESS:

- The following expenses will be forgiven during the 8-week period after the loan is originated: payroll and benefit costs, rent, utilities, and payments on interest of a mortgage obligation
- For salaries above \$100,000, expenses above that cap are not eligible for forgiveness
- Forgiveness is proportionally reduced for entities that have already laid-off employees (e.g., if an entity laid-off 25% of their employees, the forgiveness would be reduced to 75%) – entities can remediate this penalty by rehiring employees prior to June 30
- Forgiveness amount cannot exceed principal amount of the loan

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WHAT ARE THE LOAN AMOUNTS, TERMS, AND INTEREST RATES?

Loan amounts are calculated using the average total monthly payments for payroll costs over the last 12 months – that monthly average is multiplied by 2.5 to determine the maximum loan amount. Loan amounts are capped at \$10 million. Terms are the same for everyone – interest rates will be .5%, loan payments are deferred for 6 months, and loans must be repaid within 2 years.

HOW DO YOU APPLY FOR THE PAYCHECK PROTECTION PROGRAM?

You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, or Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating. All loans will have the same terms regardless of lender or borrower. A list of participating lenders as well as additional information and full terms can be found at <https://www.sba.gov/>.

- Small businesses and sole proprietorships can apply for and receive loans starting **April 3, 2020**
- Independent contractors and self-employed individuals can apply for and receive loans starting **April 10, 2020**

Note: Businesses can apply for and receive loans from both the Paycheck Protection Program and the Economic Injury Disaster Loan (EIDL); however, funds cannot be used for the same purpose.

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FOR MORE INFORMATION, VISIT: ONEACADIANA.ORG/COVID-19-RESOURCES