

# SBA Coronavirus Loans (Paycheck Protections Program/Loans)

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## Who is Eligible?

- Businesses of 500 employees or fewer, businesses within the SBA small business size threshold, self-employed individuals (sole-proprietors and independent contractors), and accommodation and food services businesses (NAICS Code 72) with 500 or fewer employees per location and less than \$500 million in gross annual receipts in 2019, any business assigned a franchise operator code from , and any business that receives assistance under the Small Business Investment Act.
- If you had employees, you had to have been in business on 2/15/2020 and paid taxes on your employees or paid independent contractors.
- All applications must certify the following:
  - The uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient. Acknowledging that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments.

## What Can You Use the Loan On?

- **Payroll costs** - Which include salary or wages, family and sick leave, allowance for dismissal or separation, health care benefits, retirement benefits, payment of state and local tax assessed on the compensation of an employee, the sum of payments to an independent contractor. Salaries in excess of 100k are not covered, compensation of employees outside of the US are not covered, and sick or family leave where a payroll tax credit is already taken are not covered.
- Payments on a mortgage obligation
- Rent
- Utilities
- Interest on any other debt obligations that were incurred before 2/15/2020.
- The loan can only be used on these expenses incurred between 2/15/2020 and June 30, 2020

## Where Do You Get the Loan?

- Loans would be available immediately through more than 800 existing SBA-certified lenders, including banks, credit unions and other financial institutions, and SBA would be required to streamline the process to bring additional lenders into the program.
- The Treasury Secretary would be authorized to expedite the addition of new lenders and make further enhancements to quickly expedite delivery of capital to small employers.

## Maximum Size of the Loan

- **Multiply** the average total monthly payments for payroll costs incurred during the one-year period before the date the loan was made **by 2.5 or \$10,000,000**. The recipient shall receive the lesser of the two.
- In the case of seasonal employers the average total employees shall be calculated for the period between 2/15/19 and 6/30/19.

## Payment Deferrals

- Payments on principal, interest, and fees will be deferred for at least six months and up to one year after the loan is issued.

## Interest Rates

- Shall not exceed 4%

## Loan Maturity

- 10 years

**Collateral**

- There is no personal/individual guarantee on the loan. The SBA guarantees 100% of the loan.

**Prepayment Penalty**

- None, all prepayment penalties are waived.

**Loan Forgiveness**

- The following costs will be forgiven during the eight-week period starting the day the loan is issued and ending in eight weeks.
  - Payroll costs (including everything listed above)
  - Payments on interest of any mortgage obligation
  - Rent
  - Utilities
  - \*Forgiveness amount may not exceed principal amount of the loan
- The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation. To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.

**Grants**

- All those applying for a loan will be eligible for a \$10,000 emergency grant to be issued within three days of the application being received.
- Applicants must certify under threat of perjury that they believe they are eligible for the loan.
- The emergency EIDL grant award of up to \$10,000 would be subtracted from the amount forgiven under the Paycheck Protection Program.

**Interaction With Previous SBA Loans**

- The SBA Administrator has the authority to purchase loans made before the date of enactment of this act and cover payments for up to six months for the borrower.
- If an applicant has an SBA loan taken out on or after 1/31/20 they have the option to refinance the loan in to a PPL loan.