

Small Business Administration 7(a) Program (SBA Paycheck Protection Program [PPP])

A loan is applied for through a bank that is an SBA-approved lender.

Businesses with less than 500 employees, including sole proprietors and nonprofits, are eligible for this loan.

You must have been in business prior to February 15th, 2020 and paid salaries to employees or paid independent contractors.

A good faith certification will be required to submit with application, but a personal guarantee of the loan is not necessary. No collateral is required for the loan and it is not necessary to have been turned down from applying for other loans.

The covered loan period is February 15, 2020 through June 30, 2020.

Loans are fully guaranteed by the US Government.

The loan amount can be up to 2.5 times the borrower's average monthly payroll costs, subject to a maximum of \$10 million.

Payroll costs for an employer includes:

- ✓ Salary, wage, commission or similar compensation
- ✓ Payment of cash tip or equivalent
- ✓ Payment for vacation, parental, family, medical or sick leave
- ✓ Allowance for dismissal or separation
- ✓ Payment required for the provisions of group health care benefits, including insurance premiums
- ✓ Payment of retirement benefit

Payroll costs not included:

- ✓ Compensation of employee in excess of annual salary of \$100,000.
- ✓ Payroll taxes, railroad retirement taxes and income taxes
- ✓ Compensation of employees whose principal place of residence is outside of the United States.
- ✓ Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act; or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act.
- ✓ For Sole Proprietors, Independent Contractors and Self-Employed Individuals
 - The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated.

Loan term is up to 10 years maximum and interest rate of 4% or less.

Proceeds from the loan can cover payroll, mortgage payments, rent, and utilities.

The normal standard fees to obtain the loan are waived.

Businesses may be able to defer repayment of the loan for at least 6 months, but not longer than 1 year.

Forgiveness of loan is equal to the sum of the amount the business spent on the following items during the 8-week period beginning on the date the loan originated:

- Payroll costs (excluding annualized compensation over \$100,000 per employee)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities
- For borrowers with tipped employees, additional wages paid to those employees

Loan forgiveness is reduced if there is a reduction in the number of employees compared to same period of 2019 or a reduction of greater than 25% in wages paid to any employee. But the reduction can be avoided if the business rehires laid off workers by June 30.

Amount forgiven is not considered taxable income to the borrower.

Borrower under PPP is ineligible for the Employee Retention Tax Credit.

An applicant may receive a loan under PPP as well as EIDL, discussed below, as long as the basis for the loan/costs being paid with each are different.

Small Business Administration Emergency Injury Disaster Loan 7(b) Program (SBA EIDL Program)

A loan is applied for directly through the SBA, no banker is involved.

Businesses with less than 500 employees, including sole proprietors and ESOPs, are eligible for this loan.

You must have been in business prior to January 31st, 2020 and there is no requirement that the business try to find credit elsewhere.

During the covered period, January 31, 2020 through December 31, 2020 loans are based solely on applicant's credit score for determining ability to repay.

Provides for an emergency grant to allow an eligible entity who has applied for an EIDL to request an advance on that loan, of not more than \$10,000 to be used for authorized costs, which the SBA must distribute within 3 days.

Loans are available in a maximum amount of \$2 million.

Loan term is up to a maximum of 30 years at the interest rate of 3.75% for small businesses (2.75% for nonprofit organizations).

Businesses are approved for the loan based on credit history, repayment ability and applicant must be physically located in a declared disaster area (all 50 states have been declared disaster areas for the purposes of the EIDL program) and suffered losses due to the declared disaster.

A personal guarantee is not required if the loan amount is less than \$200,000, but loans exceeding \$25,000 will required collateral when available.

Loan amounts are based on revenue of the business and proceeds should be used to pay fixed debts, payroll and accounts payable or other bills that could have been paid if the disaster had not occurred.

Subsidy for certain loan payments exists.

NOTE: The SBA has up to 30 days following the enactment of the Act to issue regulations implementing and providing guidance. This may delay loan approval and disbursement or modify/waive certain loan requirements.