



## NLA Member Guidance *SBA's Payroll Protection Plan (PPP)*

**The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law by President Trump on March 27, 2020.**

As a part of the CARES Act, the Small Business Administration (SBA) announced a series of stimulus programs for small businesses (of less than 500 employees).

One of the more popular programs that members continue to inquire about is the Paycheck Protection Plan (PPP). Under this plan, businesses are required to maintain their current payroll levels for a period of time (defined below) to help minimize the burden on Unemployment Insurance.

**Below is additional information about the Program and how to go about applying for the program.**

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### **Paycheck Protection Program (PPP)**

The Paycheck Protection Program, which is taking applications **starting April 3 for small businesses and sole proprietorships**, authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis.

The Paycheck Protection Program is being offered by the Small Business Administration via its 1,800 approved banks and lenders. All loan terms will be the same for everyone.

#### **How Do I Apply?**

The Small Business Administration has a network of at least 1,800 approved lenders that process small business loans and intends to add more of them in the coming weeks. If your bank is not an SBA-approved lender, ask them for recommendations on who they suggest you call. If your bank does not have suggestions or you don't have an existing banking relationship, you can [contact the SBA](#) to find one.

#### **Loan Application**

***As of April 2, 2020, there is no online application available.***

Each bank will have a similar process for submitting loan applications however each bank may have their own set of questions. Likewise, some banks will offer online application options while other will require paper copies.

Aside from the loan application, additional documentation including financial statements, payroll & benefits statements, proof of payments, etc. will be required. It is recommended that you have this information readily available prior to beginning the application process.

The Small Business Administration has developed a sample application for businesses to review and begin filling out. *Again, this is NOT the actual application.* Official application documents will be provided to you by your bank.

[Click Here](#) for a sample application as provided by the SBA to help you prepare for the application process.

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### **Loan Amounts, Loan Criteria and Loan Forgiveness**

#### **Qualification Criteria:**

Qualifying Businesses include all businesses with 500 or fewer employees – including:

- Nonprofits
- Veterans organizations
- Tribal business concerns
- Sole proprietorships

- Self-employed individuals
- Independent contractors

Guidance for S-Corps is not yet available as of Thursday April 2.

Allowable Uses for the Loan:

- Payroll costs, including benefits;
- Interest on mortgage obligations, incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.

Payroll costs are defined as:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

Size of Loans & Loan Forgiveness

Loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount. That amount is subject to a \$10 million cap. If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at \$100,000 annualized for each employee.

*Note: You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan.*

The loan amounts will be forgiven as long as:

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made; and
- Employee and compensation levels are maintained.

Payroll costs are capped at \$100,000 on an annualized basis for each employee. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. Loan payments will be deferred for 6 months.

Requesting Loan Forgiveness

You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days

Time Period for Loan Applicability

The new loans apply to costs incurred from February 15 through June 30.

Interest Rate and Payment Schedule

The Treasury Department is initially setting the loan rate at 0.5 percent. However the CARES Act caps the interest rate for the Paycheck Protection Program at 4 percent, so it is possible the interest rate could increase.

The first payment will be due after six months and the full loan will be due after two years.

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For more information about the Small Business Administration's Loan Programs - including additional loan options - please visit the SBA's Website [here](#).

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