**Paycheck Protection Program Loans FAQs**

**Compiled as of March 29, 2020**

**Payment Protection Program (PPP) Loans**

The program provides cash-flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll (definition below), the loans would be forgiven, which would help workers remain employed, as well as help affected small businesses and our economy to snap-back quicker after the crisis. Note that this loan program is designed to keep people employed as the name implies and it not designed to deal with organizational losses. Organizations must certify that they have suffered harm from COVID-19.

PPP has a host of attractive features, such as forgiveness of up to 8 weeks of payroll based on employee retention and salary levels (info below), no SBA fees and at least six months of deferral with maximum deferrals of up to a year. Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. This program is would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. Loans are available through June 30, 2020.

Note that these FAQs are based on our present understanding of the PPP Program.  It is anticipated that the SBA will adopt implementing regulations within 15 days.  Until the SBA regulations are adopted, we plan to consult with our advisers and to make any changes in, or additions to the FAQs as appear warranted in light of available information and to circulate them to you promptly.

**FREQUENTLY ASKED QUESTIONS**:

What types of businesses and entities are eligible for a PPP loan?

* Businesses and entities must have been in operation on February 15, 2020.
* Small business concerns (fewer than 500 employees) and includes a 501(c)(3) nonprofit organization
* No exclusion for organizations receiving Medicaid or religious organizations

How is the loan size determined?

* Depending on your business’s situation, the loan size will be calculated in different ways (see below). The maximum loan size is always $10 million.
	+ If you were in business February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent (2.5 times) of your average monthly payroll costs during that time period. (Would be prepared for full annual payroll by pay period for planning purposes)
	+ If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
	+ If you were not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.

Is collateral or personal guarantee required?

* No, not for this type of SBA loan

What costs are eligible for payroll?

* Compensation up to $100,000 per employee (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 (severance)
* Payment required for the provisions of group health care benefits, including insurance premiums
* Payment of any retirement benefit
* Payment of State or local tax assessed on the compensation of employees

What costs are not eligible for payroll?

* Any compensation over $100,000
* Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
* Compensation of employees whose principal place of residence is outside of the U.S
* Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

What are allowable uses of loan proceeds?

* Payroll costs (as noted above)
* Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
* Employee salaries, commissions, or similar compensations (see exclusions above)
* Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
* Rent (including rent under a lease agreement)
* Utilities
* Interest on any other debt obligations that were incurred before February 15, 2020

What is the loan term, interest rate, and fees?

* The maximum term is 10 years
* The maximum interest rate is 4 percent
* Zero loan fees, zero prepayment fee
* SBA will establish application fee caps for lenders that charge

How is the forgiveness amount calculated?

* Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8 week period (Feb 15-June 30, 2020) compared to the previous year or time period (Feb 15-June 30, 2019) proportionate to maintaining employees and wages (excluding compensation over $100,000):
	+ Payroll costs plus any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) plus any payment on any covered rent obligation plus and any covered utility payment.
	+ To help you ‘crunch the numbers’ use this [Sample Calculation](http://cdn.fedweb.org/fed-42/3082/2020_COVID_19_Paycheck_Protection_Program_Sample_Calculation.pdf)
	+ Loans not forgiven will be at the above stated interest rate and term with no prepayment penalty.
* The loan forgiveness amount might be reduced based on (i) reduction in number of employees and (ii) reduction relating to salary and wages.

How do I get forgiveness on my PPP loan?

* You must apply through your lender for forgiveness on your loan. In this application, you must include:
	+ Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings
	+ Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
	+ Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program’s guidelines for use.

What happens after the forgiveness period?

* Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with max terms of 10 years, at 4% max interest.
* Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan. The clock does not start again.

Can I get more than one PPP loan?

* No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

What kind of lender can I get a PPP loan from?

* All current SBA 7(a) lenders are eligible lenders for PPP if they opt into the PPP loan program. The Department of Treasury will also be in charge of authorizing new lenders, including non-bank lenders, to help meet the needs of small business owners.
* Link to lenders by state: [SBA Lenders](http://cdn.fedweb.org/fed-42/3082/2020_COVID_SBA_Loans_Lenders.pdf)
* For guidance, you may call the Federation’s external banking and finance advisor, Eddie Tuvin, 202-427-7700 or via email at smartlender@gmail.com

How does the PPP loan coordinate with SBA’s existing loans?

* Borrowers may not have more than one SBA loan
* If you have applied for an Economic Injury Disaster Loans (EIDLs), you may apply for a PPP loan. But you cannot accept both.
* If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan or not accept it.

Who do I need to consult before deciding what Federal, State or local loans and grants I should consider:

* If you are considering this loan program or any other, please consult your banker immediately to discuss it. If you have other debt, you may have loan covenants that you need to comply with or get a waiver from your bank.
* Accounting/Auditing firm to assist with preparing the financial data requires and review loan covenants
* Legal counsel to advise you on your submission
* Governance documents to determine what approvals are required to take on additional debt

How hard will the application be for this loan program:

* Because of the crisis, the SBA has vowed to make the process a streamlined as possible
* They are working to get the regulation passed quickly and must get lenders the rules of the program in 15 days
* Funding will be done as quickly as possible