



Paycheck Protection Program

The \$349 billion Paycheck Protection Program (PPP) provides government-backed loans to small businesses affected by the coronavirus pandemic. The program is administered by the Small Business Administration and the Treasury Department. The program expires on June 30, 2020 or when funds are exhausted.

What Entities are Eligible for the Paycheck Protection Program?

The following are eligible to receive PPP loans:

- Small businesses that meet [SBA's size standards](#) (either the industry based size standard or the alternative size standard)
- Businesses, private non-profit organizations, veterans organizations, or Tribal business with the greater of 500 employees or the SBA industry size standard if more than 500 employees
- Any businesses with a NAICS Code that begins with 72 (Accommodation and Food Services) that has more than one physical location and employs less than 500 workers per location
- Sole proprietors, independent contractors, and self-employed individuals

All borrowers must also have been in operation before February 15, 2020 to be eligible to receive a PPP loan.

In determining the number of employees a PPP loan applicant has, SBA has created four tests for affiliation based on control. For more information click [here](#). The guidance indicates that worker, agriculture, purchasing, and consumer food cooperatives are eligible to receive PPP loans.

How Much Money Can Businesses Borrow?

Business can receive a loan of up to 2.5 times their average monthly payroll, with a \$10 million cap on the loan. Payroll costs per employee are limited to \$100,000.

Are Paycheck Protection Program Loans Forgivable?

PPP Loans are fully forgivable, if the business:

- Uses the funds to cover payroll costs and mortgage interest, rent, and utility costs over the 8-week period after the loan is made (75% of the loan must be spent on payroll)
- Maintains current employee levels (or quickly rehires employees)
- Does not decrease salaries by more than 25%

Under the program, payroll costs include:

- Salary, wages, commissions, or tips



- Employee benefits such as healthcare and retirement benefits as well as vacation, parental, family, medical, or sick leave
- State and local taxes assessed on compensation

What are the Paycheck Protection Program Loan Terms?

Loan payments will be deferred for 6 months, but interest will accrue during that period. The loan has a maturity of 2 years, and an interest rate of 1%.

No collateral or personal guarantees are required, and neither the government nor lenders will charge any fees for the program.

How and When Do Businesses Apply for a Paycheck Protection Loan?

Small businesses and sole proprietorships can apply for PPE loans beginning April 3, 2020. Independent contractors and self-employed individuals can apply for PPE loans beginning April 10, 2020. Given the funding cap, businesses are encouraged to apply as quickly as possible.

To apply for a loan, businesses must complete the Paycheck Protection Program Borrower Application Form, [available here](#).

Businesses can apply for a loan through any existing SBA7(a) lender, bank, or credit union that is participating in the program and according to US officials, lenders can approve loans the same day.

Additional Resources

[Paycheck Protection Program FAQs](#)

[SBA's Paycheck Protection Program Page](#)

[Treasury's Assistance for Small Businesses Page](#)

[Interim \(Initial\) Final Rule on the Paycheck Protection Program](#)

[Paycheck Protection Program Affiliation Interim Final Rule](#)