

## Paycheck Protection Program

This information is designed to help you understand and take advantage of the Paycheck Protection Program that is part of the CARES Act just passed by Congress and signed into law. You should contact your local bank for details on how to apply and how the program will apply to your business.

### **Paycheck Protection Program Frequently Asked Questions**

#### **Where can I apply for the Paycheck Protection Program?**

You can apply for the Paycheck Protection Program at any bank or other lending institution that is an approved lender under the U.S. Small Business Administration (SBA) lending program. There are thousands of banks that already participate in the SBA's lending programs, including numerous community banks.

**WE ENCOURAGE YOU TO CONTACT YOUR BANK AS SOON AS POSSIBLE TO DETERMINE IF THEY ARE AN ELIGIBLE LENDER AND SO THAT THEY KNOW YOU ARE INTERESTED IN OBTAINING A LOAN. THERE IS LIKELY TO BE A HIGH VOLUME OF REQUESTS FOR LOANS AND YOU WILL WANT TO BE AT THE FRONT OF THE LINE.**

#### **When can I apply?**

Starting **April 3, 2020**, small businesses and sole proprietorships can apply until June 30, 2020.

Starting **April 10, 2020**, independent contractors and self-employed individuals can apply until June 30, 2020.

#### **Who is eligible for the loan?**

Generally speaking, you are eligible for a loan if you are a small business that employs 500 employees or fewer. This includes sole proprietors, independent contractors, gig economy workers, and self-employed individuals.

#### **What is the maximum amount I can borrow?**

You can borrow up to 2.5x your average monthly payroll expenses, up to \$10 million. This amount is intended to cover 8 weeks of payroll expenses and any additional amounts for making payments towards debt obligations. Note, however, that payroll costs will be capped at \$100,000 annualized for each employee.

#### **How can I use the money?**

A loan can be used to pay payroll costs, including benefits, interest on mortgages existing before February 15, 2020, rent under leases existing before February 15, 2020 and utilities, for which service began before February 15, 2020.

**Will any portion of the loan be forgiven?**

Yes. The amount of the loan that may be forgiven is equal to the sum of expenses for payroll, and existing interest payments on mortgages, rent payments, leases, and utility service agreements. HOWEVER, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. Payroll costs include employee salaries, up to an annual rate of pay of \$100,000, hourly wages and cash tips, paid sick or medical leave, and group health insurance premiums.

**How much of my loan will be forgiven?**

The purpose of the Paycheck Protection Program is to help you retain your employees, at their current base pay. If you keep all your employees, the entirety of the loan will be forgiven. If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees. If your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25%, loan forgiveness will be reduced by the same amount. If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.

**When is the loan forgiven and how can I request loan forgiveness?**

The loan is forgiven at the end of the 8-week period after you take out the loan. 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. The lender must decide on the forgiveness within 60 days.

**What are the interest rate and terms for the loan amount that is not forgiven?**

The interest rate is 0.5% per year and the term is 2 years.

**Will I have to pay any fees?**

You will not have to pay any fees on the loan, and there are no collateral requirements or personal guarantees required. Loan payments will be deferred for at least six months and up to one year starting at the origination of the loan.

**What documents will I need?**

You will need to show your bank or lender that (1) you were in business on or prior to February 15, 2020 and (2) your average monthly payroll costs. We suggest you gather the following documents:

- **Payroll** – 2019 payroll, including 1099's for employees and independent contractors that would otherwise be an employee of your business.
- **Healthcare/Benefits** – all health insurance premiums and any other benefits the business paid.
- **Retirement** – your company retirement plan funding paid for by the company.

**Helpful Links:**

- [Overview of the Paycheck Protection Program](#)
- [Fact Sheet for Borrowers](#) (Useful program details)
- [Sample Loan Application](#) (Contact your bank for details on their online application process)
- [Top 100 SBA Lenders](#) (Does not include all lenders in the program but useful to see if your lender is active)
- [Fact Sheet for Lenders](#) (Useful information that lenders require)