

Payroll Protection Program (PPP) – A Summary of the Program

The PPP provides forgiveness for small business loans for keeping employees to help prevent workers from losing their jobs and small businesses from going under due to economic losses caused by the COVID-19 pandemic. The PPP provides 8 weeks of cash-flow assistance through 100 percent federally guaranteed loans to small employers who maintain their payroll during this emergency. If the employer maintains payroll, the portion of the loans used for covered payroll costs, interest on mortgage obligations, rent, and utilities would be forgiven. This proposal would be retroactive to February 15, 2020, to help bring workers who may have already been laid off back onto payrolls.

During the Covered Period, the maximum loan amount permitted for an eligible Covered Entity is the lesser of \$10,000,000 and an amount calculated based on a payroll formula that essentially equals 2.5x the average total monthly payroll cost incurred in the one-year period before the loan is made.

During the 8-week period beginning on the date a Paycheck Protection Loan is funded (the Forgiveness Period), a borrower will be eligible for forgiveness and cancellation of indebtedness for up to the full principal amount of such loan. The amount eligible for forgiveness (the Total Eligible Forgiveness Amount) is equal to the total costs incurred and payments made during the Forgiveness Period for (1) payroll, (2) mortgage interest, (3) rent and (4) utilities.

The loan forgiveness amount available to a borrower is subject to reduction if the borrower terminates employees or reduces employee salary and wages during the Forgiveness Period. There is, however, relief from the forgiveness reduction if the borrower rehires employees or makes up for wage reductions by June 30, 2020.

TOTAL LOAN ELIGIBILITY IS CALCULATED AS THE LESSER OF:	
\$10 million	2.5x average total monthly payroll (net pay plus withholdings) for the 12 months preceeding the covered period.
THIS IS AN INTERPRETATION BASED ON THE INFORMATION AVAILABLE	

Provisions of the Program:

- A. Businesses not greater than 500 (unless the covered industry's SBA size standard allows more than 500 employees), inclusion of sole-proprietors, independent contractors, eligible self-employed and 501 c3 nonprofits.
- B. Loan amounts up to \$10 million through December 31, 2020.
- C. Allows complete deferment of 7(a) loan payments for not more than one year and requires SBA to disseminate guidance to lenders on this deferment process within 30 days.
- D. Requires documentation on payroll tax filings reported to IRS.
- E. Requires that the borrower show that the uncertainty of current economic conditions makes necessary the loan request to support ongoing operations, the fund will be used to retain workers and maintain payroll, make mortgage payments, utilities and necessary expenses.
- F. Cover employees making up to \$100,000 per year; loans taken for this purposes are forgiven if the business does not lay off its employees (forgiveness is scaled down as layoffs rise).
- G. In order to be eligible for a loan, a firm must maintain an average monthly number of employees during the covered period that is no less than the number it had before the crisis began.
- H. Covered period for payroll February 15, 2020-June 30, 2020.
- I. No fees collected from lender or borrower.
- J. Forgoes the "can't get credit elsewhere requirement."
- K. No collateral, no personal guarantee required.

- L. Max maturity of 10 years from the date on which the borrower applies for the loan.
- M. Interest rate: 4% cap.
- N. Lender must provide complete payment deferment relief for impacted borrower.

Use of Proceeds:

- A. Payroll costs, continuation of group health care benefits during of periods of paid sick leave, medical and family leave and insurance premiums.
- B. Employee salaries, commission and similar compensation.
- C. Mortgage payments, rent, utilities, interest of any debt obligations that were incurred before the covered period.

*This has been pulled from multiple sources including SBA. The complete SBA link is <https://www.sba.gov/funding-programs/loans/paycheck-protection-program>