

Paycheck Protection Program

Cross References

- www.sba.gov

In response to the COVID-19 pandemic and the shutdown of the U.S. economy, the Small Business Administration (SBA) has a new program called the Paycheck Protection Program. The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.

SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Small businesses can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. Small business owners are encouraged to consult with local lenders as to whether it is participating in the program.

Lenders began processing loan applications on April 3, 2020. The Paycheck Protection Program will be available through June 30, 2020.

Who Can Apply

This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or IRC section 501(c)(19) veterans organizations affected by COVID-19.

Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.

Small businesses in the hospitality and food industry with more than one location could also be eligible if their individual locations employ less than 500 workers.

Loan Details and Forgiveness

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

This loan has a maturity of two years and an interest rate of 1%.

Other Assistance

In response to the COVID-19 pandemic, small business owners in all U.S. states, Washington D.C., and territories are currently eligible to apply for disaster assistance.

Enhanced Debt Relief is also available in SBA's other business loan programs to help small businesses overcome the challenges created by this health crisis.

More information on all COVID-19 assistance through the SBA can be found at www.sba.gov.