



COVID-19 Resources for Small Businesses

Frequently Asked Questions

PAYCHECK PROTECTION PROGRAM (PPP) LOANS

What is the Paycheck Protection Program (PPP)?

This program provides cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during the COVID-19 emergency. PPP has a host of features, such as forgiveness of up to eight weeks of payroll based on employee retention and salary levels, no SBA fees and at least six months of deferral with maximum deferrals of up to a year.

Who is eligible to apply?

- Small businesses that were harmed by COVID-19 between February 15, 2020 and June 30, 2020. Businesses and entities that were in operation on February 15, 2020.
- Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that has fewer than 500 employees or fewer employees than established by the relevant industry code are all eligible for PPP loans.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals are eligible for PPP loans.
- Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a North American Industry Classification System code beginning with 72, for which the affiliation rules are waived is also eligible for a PPP loan.

How is the loan size determined?

- Depending on the business's situation, the loan size will be calculated in different ways. The maximum loan size is always \$10 million.
- If in business February 15, 2019 – June 30, 2019: the maximum loan is equal to 250 percent of the average monthly payroll costs during that time period. If the business employs seasonal workers, it can opt to choose March 1, 2019 as the time period start date.

- If not in business between February 15, 2019 – June 30, 2019: the maximum loan is equal to 250 percent of the average monthly payroll costs between January 1, 2020 and February 29, 2020.
- If the business took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and wants to refinance that loan into a PPP loan, it would add the outstanding loan amount to the payroll sum.

What costs are eligible for payroll?

- Compensation (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
- 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?

- Employee/owner 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 expenses are allowable uses of loan proceeds?

- Payroll costs (see above for costs eligible for payroll)
- 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 the covered period

What is the loan term for PPP Loans and the interest rates?

The maximum term for a loan is 10 years. The maximum interest rate for a loan is 4 percent.

Are there fees associated with PPP loans?

There are zero loan fees and zero prepayment fees (SBA will establish application fees 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 compared to the previous year or time period, 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.

How can my business get forgiveness on a PPP loan?

Businesses apply through their lender for forgiveness on their loan. The application 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 the 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 six months to a year after disbursement of the loan. The clock does not start again.

Which lenders are offering PPP loans?

All current SBA 7(a) lenders (see more about 7(a) below) are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including nonbank lenders, to help meet the needs of small business owners. *See below for **What is a 7(a) loan and how can my business apply?***

If I apply for a PPP loan, is my business still eligible for other assistance programs?

Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs).

Emergency Economic Injury Grant recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan. (Though in cases where a business receives both debt relief and a PPP loan, the debt relief does not apply to the PPP loan.)

SMALL BUSINESS DEBT RELIEF PROGRAM

What is the Small Business Debt Relief Program?

The Small Business Debt Relief Program provides immediate relief to small businesses with non-disaster Small Business Administration (SBA) loans, in particular 7(a), 504, and microloans. Under it, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. This relief will also be available to new borrowers who take out loans within six months of the President signing the bill into law.

What SBA loans are eligible for debt relief under this program?

7(a) loans not made under the Paycheck Protection Program (PPP), 504 loans, and microloans. Disaster loans are not eligible (see below for more information on these).

If my business is approved for debt relief, can I still apply for a PPP loan?

Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan.

How can I find out if my business is eligible for a 7(a), 504, or microloan?

To be eligible for a 7(a), 504, or microloan, in general, businesses must meet size standards, be based in the U.S., be able to repay, and have a sound business purpose.

Each program has different requirements, see <https://www.sba.gov/funding-programs/loans> for more details.

What is a 7(a) loan and how can my business apply?

7(a) loans are an affordable loan product of up to \$5 million for borrowers who lack credit elsewhere and need access to versatile financing, providing short-term or long-term working capital and to purchase an existing business, refinance current business debt, or purchase furniture, fixtures and supplies. In the program, banks share a portion of the risk of the loan with SBA.

Businesses apply for a 7(a) loan with a bank or a mission-based lender. SBA has a free referral service tool called [Lender Match](#) to help find a lender.

What is a 504 loan and how can my business apply?

The 504 Loan Program provides loans of up to \$5.5 million to approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. This is a good option if a business needs to purchase real estate, buildings, and machinery.

Businesses apply through a Certified Development Company, which is a nonprofit corporation that promotes economic development.

SBA has a free referral service tool called [Lender Match](#) to help find a lender near you.

ECONOMIC INJURY DISASTER LOANS & EMERGENCY ECONOMIC INJURY GRANTS

What are Economic Injury Disaster Loans (EIDLs)?

EIDLs are lower interest loans of up to \$2 million, with principal and interest deferment available for up to 4 years, that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

What are Emergency Economic Injury Grants?

These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL).

To access the advance, businesses must first apply for an EIDL and then request the advance. The advance does not need to be repaid under any circumstance, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.

Who is eligible?

Any businesses and private non-profits with 500 or fewer employees are eligible for an EIDL if they have suffered substantial economic injury related to COVID 19. Eligible entities include:

- Small business concerns (including sole proprietorships, with or without employees)
- Independent contractors
- Cooperatives and employee owned businesses
- Private non-profits
- Tribal small businesses

How do EIDLs and Emergency Economic Injury Grants interact with PPP loans?

Whether a business has already received an EIDL unrelated to COVID-19 or a COVID19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, it may also apply for a PPP loan.

If it ultimately receives a PPP loan or refinances an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP.

How can my business or non-profit apply for an EIDL?

To apply for an EIDL online, please visit <https://disasterloan.sba.gov/ela/>. Your SBA District Office is an important resource when applying for SBA assistance.