



U.S. Small Business  
Administration

# CARES Act

## Paycheck Protection Program (PPP)

- **CARES Act** provides relief for small businesses and their employees who are adversely affected by the outreach of COVID-19. Includes **Paycheck Protection Program (PPP)**, which provides emergency funding administered by the SBA under its authority.
- **CARES Act Amendment:**
  - **\$310B** additional for PPP
    - \$30B set aside for community financial institutions (less than \$10B in assets)
    - \$30B set aside for community financial institutions (between \$10-50B in assets)
  - **\$50B** for EIDL
  - **\$10B** Emergency EIDL Grant
  - **Agricultural enterprises** eligible for EIDL (500 employees or less)

# PPP2 Numbers

## as of 5/8/20

### Overall:

- Number of approved loans: 2.6 million
- \$ volume of approved loans: \$188.9 billion
- Number of lenders: 5,463

### Lenders <\$10B:

- Number of approved loans: 972,611
- \$ volume of approved loans: \$59.9 billion (32%)

### Lenders \$10-50B:

- Number of approved loans: 363,143
- \$ volume of approved loans: \$28.9 billion (15%)

# PPP

- **Funding from SBA Lenders**
- **Guarantee Amount:** 100% guarantee
- **Use of Loan Proceeds:**
  - Payroll costs
    - Salary, wages  $\leq$  100K, commissions
    - Vacation, sick leave, severance, health care benefits, retirement benefits
    - Special rules for self-employed, LLCs, partnerships, agricultural
  - Mortgage interest payments
  - Rent/Utilities
  - Interest on pre-existing debt
  - Refinance of EIDL loan

# PPP

## • Eligible Entities:

- Small businesses
  - Agricultural Businesses: Small Business Act, Section 3: “For the purposes of this chapter, a small-business concern, including but not limited to enterprises that are engaged in the business of production of food and fiber, ranching and raising of livestock, aquaculture, and all other farming and agricultural related industries, shall be deemed to be one which is independently owned and operated and which is not dominant in its field of operation.”
- Tribal businesses
- Nonprofits [501(c)(3)] and veteran organizations [501(c)(19)]
  - **Certain nonprofit hospitals**
- Sole proprietors, independent contractors, self-employed individuals
- Applicant must be in operation on or before February 15, 2020

# PPP

## • Size Standards:

- The applicable size standard will be the greater of:
  - (1) 500 employees;
  - (2) the applicant's actual NAICS code standard; or
  - (3) SBA's alternative size standard (<\$15M net worth and <\$5M annual revenue).
- The number of employees includes FT, PT, and other. Doesn't include independent contractors
- Affiliation rules waived for businesses with multiple locations, < 500 employees per location, and a NAICS codes starting with 72 (Accommodations and Food Services)
  - Includes hotels and restaurants
- Affiliation Rules waived for franchises listed in SBA's franchise directory

# PPP

- **Ineligible Entities:**

- Small business types such as:
  - Financial businesses primarily engaged in lending
  - Passive businesses owned by developers/landlords
  - Life insurance companies
  - Pyramid sale distribution plans
  - Private clubs
- Small businesses engaged in illegal activity
- Small businesses whose 20%+ owners have legal issues
- Small businesses or owners that have currently defaulted federal loans or have caused prior loss to federal government

# PPP

- **Loan Terms:**

- **Amount** – Up to \$10 million
- Based on formula, not projections
  - Equal to the lesser of:
    - 2.5 x the applicant's average monthly payroll costs over the last 12 months + the outstanding amounts on any EIDL loan obtained after January 20, 2020; or
    - If in business less than a year, use monthly average of payroll costs for January and February 2020
- **Maturity** – 2 years
- **Interest rate** – 1%
- **Complete payment deferment** – for first 6 months

- **Waivers:**

- Waives both guarantee fee and annual lender fee
- Waives credit elsewhere requirement
- Waives collateral and personal guarantee requirements
- Waives prepayment penalties



# PPP

- **Forgiveness:**

- **After 8-week period from initial loan disbursement**, borrower may request forgiveness of actual amounts spent on payroll costs, mortgage interest, rent, and utilities
- **Borrower must supply documentation to support the request** – payroll tax filings, state filings, verification of mortgage and utility payments, along with a certification from its representative.
- **Payroll costs must account for at least 75% of the requested forgiveness amount**
- **Other considerations**
  - If the business reduces its number or compensation of employees during the 8-week period, the amount of forgiveness will be reduced
  - Employers that restore their employment numbers and salaries by June 30, 2020 would experience no reduction in forgiveness
  - Employers can require employees to return to the payroll rather than stay unemployed and collect unemployment insurance