

Paycheck Protection Program Overview:

- Starting April 3, 2020, small businesses and sole proprietorships can apply. Starting April 10, 2020, independent contractors and self-employed individuals can apply. The guidance suggests applying quickly as there is a funding cap. The application form for borrowers can be found [here](#).
- Although the program is open until June 30, 2020, the Treasury Department encouraged businesses to apply quickly “because there is a funding cap.” U.S. Treasury Secretary Mnuchin has also said that if the initial pool of loans for small business goes quickly, Congress could work to expand funding on a bipartisan basis.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides \$2 trillion in federal funding for programs to support our nation’s hospitals and businesses, and the most critical of these programs for ABC and our members (a majority of which are small businesses) is the Paycheck Protection Program that authorizes nearly \$350 billion in forgivable loans. PPP loans must be made during the period prior to June 30, 2020 and is retroactive to February 15, 2020.

PPP Eligibility:

- The bill defines eligibility for these loans as a small business, 501(c)(3) or 501(a) nonprofit, a 501(c)(19) veteran’s organization, or Tribal business concern described in section 31(b)(2)(C) of the Small Business Act **with not more than 500 employees**, or the applicable size standard for the industry as provided by SBA, if higher. Note the bill does not include 501(c)(6) nonprofits, which excludes ABC National and many of our state chapters from eligibility.
- Sole-proprietors, independent contractors, and other self-employed individuals as eligible for loans and allows businesses with more than one physical location that employs no more than 500 employees per physical location in certain industries, mainly franchise and food services, are also eligible.
- The bill requires eligible borrowers to make a good faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19, and that they will use the funds to retain workers and maintain payroll, lease, and utility payments.
- Borrowers also must not be receiving duplicative funds for the same uses from another SBA program and participation in a PPP loan excludes businesses from taking advantage of tax programs included in the CARES Act to prevent double dipping into these federal programs.
- SBA-certified lenders are only required to determine whether a business was operational on February 15, 2020, and had employees for whom it paid salaries and payroll taxes for eligibility in the PPP.

PPP Loans:

- According to the U.S. Department of Treasury, starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders. Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain

expenses through existing SBA lenders. Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

- PPP loans can be as large as 250% of a business's average monthly payroll costs over the last 12 months, however, the maximum loan amount under this program is \$10 million through December 31, 2020. It also specifies allowable uses of the loan to include payroll support, such as employee salaries, paid sick or medical leave, insurance premiums, and mortgage, rent, and utility payments.
- PPP loans are made by over 800 SBA-certified lenders throughout the country and the CARES Act allows for additional lenders to join the program, as needed. Additional lenders approved by Treasury are only permitted to make Paycheck Protection Program loans, not regular 7(a) loans.
- PPP Loans are subject to a fixed interest rate of 0.50%, and are subject to complete payment deferral (including principal, interest and fees) for at least six months and up to one year, subject to a process to be determined by the SBA, and are not subject to any prepayment penalty.
- Businesses interested in a PPP loan should contact their bank to see if it is an SBA-approved lender.
- PPP Loans are not required to be secured by collateral or personally guaranteed, do not require that the borrower be unable to find credit elsewhere, and are not subject to the SBA's fees through June 30, 2020.

Loan Forgiveness:

- Principal amounts on PPP loans, for the first 8-week period from when the PPP Loan is made, may be forgiven, if loan funds are used to cover payroll costs, interest payments on mortgages (not including prepayments or principal), rent and utilities.
- The amount of a PPP loan that may be forgiven cannot exceed the principal amount of the loan. The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation. Payroll costs are capped at \$100,000 on an annualized basis for each employee.

- To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.
- The Act also directs the SBA to issue guidance and regulations implementing the PPP Loan forgiveness provisions within 30 days.

Union Neutrality:

- The union neutrality provision in the bill only applies to a smaller optional program for mid-size businesses. **The Paycheck Protection Program for employers with fewer than 500 employees doesn't set these requirements.** Additional information is below and please reach out with any additional questions.
- The provision is a part of an ***optional*** program that would create additional assistance for mid-Sized Businesses (between 500 and 10,000 employees) for workforce retention. The bill states, “the Secretary [of the Treasury] ***shall endeavor to seek*** the implementation of a program or facility ... that provides financing to banks and other lenders that make direct loans to eligible businesses... with between 500 and 10,000 employees....” Eligible borrower must make ***a good-faith certification*** - “(X) that the recipient will remain neutral in any union organizing effort ***for the term of the loan.***”
- It is also important to note that the Federal Reserve also has the discretion to establish a Main Street Lending Program or other similar program or facility that supports lending to small and mid-size businesses, on such terms and conditions as the Board may set consistent with section 13(3) of the Federal Reserve Act. The Federal Reserve Main Street Business Lending Program would not be required to impose the same conditions as the Assistance for Mid-Sized Businesses in Section 4003(c)(3)(D)(i), and thus may be a more flexible program. Similarly, Treasury may provide a loan, loan guarantee or other investment for such a Federal Reserve program or facility.