

Paycheck Protection Program - FAQ

What is the Paycheck Protection Program?

The Paycheck Protection Program is implemented by the Small Business Administration with support from the Department of the Treasury. It offers small businesses with funds to pay up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities.

Paycheck Protection Program Benefits:

- Funds are provided in the form of **loans that will be fully forgiven** when 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.
- Government nor lenders will **not charge small businesses any fees**.

Employers Must Keep Employees on the Payroll—or Rehire Quickly

- 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.

Who can apply?

- A small business with fewer than 500 employees.
- A small business that otherwise meets the SBA's size standard.
- A 501(c)(3) with fewer than 500 employees.
- An individual who operates as a sole proprietor.
- An individual who operates as an independent contractor.
- An individual who is self-employed who regularly carries on any trade or business.
- A Tribal business concern that meets the SBA size standard.
- A 501(c)(19) Veterans Organization that meets the SBA size standard.
- In addition, some special rules may make you eligible:
 - ✓ If you are in the accommodation / food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis.
 - ✓ If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company, the normal affiliation rules do not apply.
- NOTE: The 500-employee threshold includes all employees (full-time, part-time, and any other status).

What can you use the loan for?

- The borrower can use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments.
- A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:
 - ✓ Payroll costs (using the same definition of payroll costs used to determine loan eligibility).
 - ✓ Interest on the mortgage obligation incurred in the ordinary course of business.
 - ✓ Rent on a leasing agreement.
 - ✓ Payments on utilities (electricity, gas, water, transportation, telephone, or internet).
 - ✓ For borrowers with tipped employees, additional wages paid to those employees.
 - ✓ The loan forgiveness cannot exceed the principal.
 - ✓ The amount of loan forgiveness is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.

How much can I borrow?

- Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed \$10 million.

SBA Economic Injury Disaster Loan (EIDL) - FAQ

The Small Business Administration is offering low-interest disaster assistance loans available for small businesses that are impacted by coronavirus. You may apply directly by emailing us at attorney@stansen.com & by visiting www.stansen.com/sba

Who can apply?

- SBA's Economic Injury Disaster Loans (or working capital loans) are available to small businesses, and most private non-profit organizations.

What can you use the loan for?

- Loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact.

How much can I borrow?

- Eligible entities may qualify for loans up to \$2 million.
- The interest rates for this disaster loan:
 - ✓ 3.75 % for small businesses.
 - ✓ 2.75 percent for nonprofit organizations
 - ✓ Terms up to 30 years
- Eligibility for these working capital loans are based on the size (must be a small business) and type of business and its financial resources.

What are the collateral requirements?

- Economic Injury Disaster Loans over \$25,000 require collateral.
- SBA takes real estate as collateral when it is available.
- SBA will not decline a loan for lack of collateral but requires borrowers to pledge what is available.