

**SENATOR JOE GRUTERS**

**INFORMATION ON:**

# **THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (“CARES ACT”)**

## **PAYCHECK PROTECTION LOAN PROGRAM FOR SMALL BUSINESSES**

The Paycheck Protection Loan Program is designed to provide relief to small businesses affected by COVID-19 so they can retain workers and maintain payroll and other debt obligations.



**SEE WHO'S ELIGIBLE**



# AM I ELIGIBLE?

Small businesses with **500 employees or less** are eligible for a Paycheck Protection Loan. This includes corporations, partnerships, sole proprietors, independent contractors, self-employed individuals, 501(c)(3) and 501(c)(19) organizations.

## HOW CAN I APPLY FOR A PAYCHECK PROTECTION LOAN?

Paycheck Protection Loans will be implemented and processed by consumer and commercial lenders, not the SBA. You may apply through your bank, credit union or other approved financial institutions.

### STREAMLINED APPROVAL PROCESS

Through the CARES Act, the SBA guarantees Paycheck Protection Loans so financial institutions can offer a quick approval process.



No review of ability to repay



No personal guarantee required



No collateral required



No “credit elsewhere” test



Payments deferred up to one year



# HOW MUCH CAN I BORROW?



Businesses may borrow up to **2.5 times their monthly payroll costs** based on the previous 12-month period.

## **Payroll costs include:**

salaries, wages, tips, payments for sick and medical leave, insurance premiums and state and local taxes assessed on the compensation of employees.\*

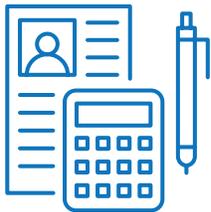
Example: Your annual payroll cost for the previous 12-month period was \$500,000, so your average monthly payroll cost is \$41,667. You may borrow 2.5 times your average monthly payroll cost for a total loan amount of \$104,168.

\*Eligible payroll costs do not include compensation of individual employees exceeding \$100,000 annually. Individual employee annual compensation in excess of \$100,000 will be pro-rated for the relevant period. Loans cannot exceed \$10 million.

# WHAT CAN I USE THIS LOAN FOR?



Loan funds may be used for payroll costs and other specific operating expenses.



Payroll costs



mortgage, rent and utility costs



Interest on debt obligations incurred prior to February 15, 2020

**LOAN FORGIVENESS**



## CAN MY LOAN BE FORGIVEN?



**Yes! Borrowers are eligible for loan forgiveness**, meaning you will not be required to pay back the portion of the loan used for certain expenses paid within the 8-week period after the loan closing date.

Expenses that will be forgiven include:

- Payroll and Insurance costs\*
- Interest paid on any mortgage originated prior to February 15, 2020
- Payment of rent on any lease in force prior to February 15, 2020
- Payment on any utility for which service began before February 15, 2020

\*If the business does not retain or re-hire employees at the same level as the previous 12-month period, the loan amount forgiven will be reduced in proportion to any reduction in employees and/or reduction in pay of any employee beyond 25%. Businesses that rehire workers previously laid off by June 30, 2020, will not be penalized for having reduced payroll at the beginning of the period.

Cancelled indebtedness shall not be included in the borrower's taxable income for this year, and upon a lender's report of expected loan forgiveness for a covered loan or pool of covered loans, the SBA will purchase such amount of the loan from the lender.

# CAN I APPLY FOR A PAYCHECK PROTECTION LOAN AND AN EIDL LOAN?



It is important that you evaluate your needs and the parameters of both loan options to determine which loan provides the best relief for your business.

A business may apply for a Paycheck Protection Loan and an SBA Economic Injury Disaster Loan (EIDL); however, the funds clearly have to be used for different purposes.

Paycheck Protection Loans are made for a 10 year term at an interest rate of no more than 4%. Eligible borrowers would be required to make good faith certification that they have been affected by COVID-19 and will use funds to retain workers and maintain payroll and other debt obligations.

Information accurate as of: **March 27, 2020**

## Contact your banker for more info.



For more information about  
Coronavirus, please visit:  
**Coronavirus.gov**



Information about available SBA  
resources and services  
**SBA.gov/coronavirus**

