

# PPP (Paycheck Protection Program) Loans For Small Businesses Affected By Pandemic

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Last week, the U.S. Small Business Administration (SBA) launched the [Paycheck Protection Program, or PPP](#), a \$349 billion emergency loan program created as part of the [Coronavirus Aid, Relief, and Economic Security Act \(CARES\)](#). The PPP provides forgivable loans up to \$10 million to small businesses left financially distressed by the [COVID-19 pandemic](#) and are administered at the local level by a national network of banks and credit unions. To find a lender, click [here](#).

The loans, which are 100% backed by SBA, are being provided to small businesses without collateral requirements, personal guarantees, SBA fees, or credit elsewhere tests. Those eligible for the program include small businesses with fewer than 500 employees, self-employed individuals, independent contractors, certain non-profits, veterans' organizations, and other businesses meeting size standards based on their North American Industry Classification System code.

The PPP will be available through June 30, 2020, though the government is advising borrowers to apply as soon as possible due to a loan cap. (As of this writing, the PPP loan commitments reportedly already exceed the available funds by 10%, according to the [U.S. Chamber Of Commerce](#). On the

same day, President Trump addressed the issue at a briefing with members of the White House Coronavirus Task Force and said he is asking Congress to provide an additional \$250 billion for the PPP, reported the USCOC.)

“We urge every struggling small business to take advantage of this unprecedented federal resource – their viability is critically important to their employees, their community, and the country,” said SBA Administrator Jovita Carranza.

The PPP’s maximum loan amount is \$10 million with a fixed 1% interest rate and maturity of two years. The loans are available to cover up to eight weeks of average monthly payroll (based on 2019 figures) plus 25% and payments are deferred for six months (interest does accrue). The SBA will forgive the portion of loan proceeds used for payroll costs and other designated operating expenses for up to eight weeks, provided at least 75% of loan proceeds are used for payroll costs. Eligible expenses for the eight-week forgiveness include:

- Payroll costs\* (excluding the prorated portion of any compensation above \$100,000 per year for any person. Payroll costs include salary, commissions, tips; certain employee benefits including [sick leave](#) and health care premiums, and state and local taxes;
- Mortgage interest (**not** prepayment or principal payments) and rent payments on mortgages and leases in existence after February 15, 2020;
- Utilities such as electricity, gas, water, transportation, phone and internet access for services that began before February 15, 2020.

\*For seasonal employers, the maximum loan equals 2.5 times the average monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019.

The USCOC offers guidance on PPP loans [here](#) and [here](#). Visit [www.SBA.gov/Coronavirus](http://www.SBA.gov/Coronavirus) for additional SBA COVID-19 resources, including EIDL Loans.