

# CARES Act:

## SBA Paycheck Protection Loan and Forgiveness Program

**Need help covering payroll due to the Coronavirus pandemic?**



Learn who is eligible and how much you can borrow under the CARES Act Paycheck Protection Program.



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## What is the Paycheck Protection Program?

The Paycheck Protection Program is part of the recently signed CARES Act. It's overseen by the Small Business Administration (SBA) and it aims to help eligible companies keep their staff employed by offering low interest, federally backed loans that are partially forgivable under a debt forgiveness program.

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### Who is eligible?

- ✓ Companies fewer than 500 employees
- ✓ Companies that otherwise meet SBA's size standards
- ✓ 501(c)(3) with fewer than 500 employees
- ✓ 501(c)(19) Veterans Organization that meets the SBA size standard
- ✓ Individuals operating as a sole proprietor
- ✓ Individuals operating as an independent contractors
- ✓ Self-employed individuals that regularly carries on trade/business
- ✓ Tribal businesses that meets the SBA size standard

All employee types count toward the employee threshold, including full-time, part-time, and all other statuses.



For the accommodation and food services sector (NAICS 72), the 500-employee rule is 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.

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### How much can I apply for?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed \$10 million. Loans issued by the SBA since January 31 of this year will roll into emergency loans under this program.

The average monthly payroll is calculated based on the following timeframes:\*

- 12 months prior to the loan date (e.g. April 2019 – March 2020).
- Those not in business in 2019 use the average payroll costs from Jan and Feb of 2020.

#### Example:

Prior 12-  
Month Payroll



$$= \$3M \div 12 \times 2.5 =$$

Max loan:  
\$625,000



\* Designated seasonal businesses will have choice to use the 12-week period from Feb 15, 2019 through Jun 19, 2019 or from Mar1, 2019 through Jun 30, 2019.

## Here is what can be included in average monthly payroll calculations & additional loan terms



### Included in avg payroll calculation

- Wages
- Cash Tips
- Paid leave not associated with FFCRA tax credits
- Severance
- Health premiums
- Employer retirement payments
- Employment taxes
- 1099 payments to independent contractors/ sole proprietors



### Not included in avg payroll calculation

- Compensation of individual employees in excess of annual salary of \$100k. as prorated for the covered period\*.
- Employee withholding taxes
- Wages for employees outside the US
- FFCRA tax credits on sick pay /FMLAs

\* Covered period is Feb 15, 2020 through Jun 30, 2020



### What can I use the money for?

- Payroll expenses including salaries
- Costs related to group health benefits
- Mortgage interest payments
- Rent and utility payments
- Interest payments on debt obligations that existed prior to February 15, 2020.



### What are the terms?

- 10 year traditionally amortized loan
- No collateral or personal guarantee
- Max interest 4%
- Expected loan funding in 15-30 days
- Payments can be deferred for 1 year
- No prepayment penalties and no fees

**Note:** Deferments can only be requested once and interest may be due during any deferral period. [A substantial portion of the loan may be forgiven if all conditions are met.](#)

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## Where and when can I apply?

Applications are being accepted now although processing won't begin until April 3, 2020. We recommend that you talk to your regular bank if they are an SBA lender, otherwise any SBA 7(a) lender can help you. The processing time for emergency loans are expected to be in the 2 to 3-week range. You can apply for loans outside of this program, but they may take longer to process at this time, as they are taking a back seat to the emergency loans.

## What documents do I need to apply?

The information you need may vary by lender, but the following documentation can help expedite the process:

- Articles of Incorporation/Organization of each borrowing entity
- By Laws/Operating Agreement of each borrowing entity
- Payroll Expense verification documents to include:
  - IRS Form 940 and 941 as of December 31, 2019
  - Payroll Summary Report with corresponding bank statement for the pay period covering February 15, 2020, to include Employee Name, last 4 SSN, Address, Gross Pay, Deductions, Net Pay and Employer Cost.
  - If a Payroll Summary Report is not available, employee pay stubs as of February 15, 2020 (or corresponding period) with corresponding bank statement, and, breakdown of payroll benefits (vacation, allowance for dismissal, group healthcare benefits, retirement benefits, etc.)
  - Form 1099 for 2019 (if Independent Contractor) and proof of payment thru February 15, 2020
- Trailing 12 month profit and loss statement (as of the date of application) for all applicants
- Most recent Mortgage Statement or Rent Statement (Lease)
- Most recent Utility Bills (Electric, Gas, Telephone, Internet, Water)
- Drivers License of all owners

Need more guidance? Please see our additional SBA Paycheck Protection Loan and Forgiveness Program resources [here](#).

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