FREQUENTLY ASKED QUESTIONS
PAYCHECK PROTECTION PROGRAM LOANS

With the signing of the CARES Act, the Paycheck Protection Loan Program was created through the Small Business Administration (SBA). This program will provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans will be forgiven.

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Q: Where can I apply for the Paycheck Protection Program?

A: You can apply for the Paycheck Protection Program at any lending institution that is approved to participate in the program through the existing U.S. SBA 7(a) lending program and additional lenders approved by the Department of Treasury. This could be the bank you already use, or a nearby bank. There are thousands of banks that already participate in the SBA’s lending programs, including numerous community banks. You do not have to visit any government institution to apply for the program. You can call your bank or find SBA-approved lenders in your area through SBA’s online Lender Match tool. You can call your local Small Business Development Center or Women’s Business Center and they will provide free assistance and guide you to lenders.

Q: Who is eligible for the loan?

A: You are eligible for a loan if you are a small business that employs 500 employees or fewer, or if your business is in an industry that has an employee-based size standard through SBA that is higher than 500 employees. Tribal businesses, 501(c)(19) veteran organizations, and 501(c)(3) nonprofits, including religious organizations, will be eligible for the program. Nonprofit organizations are subject to SBA’s affiliation standards. Independently owned franchises with under 500 employees, who are approved by SBA, are also eligible. Eligible franchises can be found through SBA’s Franchise Directory.

Q: Are independent contractors or gig economy workers eligible?

A: Yes. Sole proprietors, independent contractors, gig economy workers, and self-employed individuals are all eligible for the Paycheck Protection Program.
Q: How can the loan be forgiven?

A: The amount of principal that may be forgiven is equal to the sum of expenses for payroll, and existing interest payments on mortgages, rent payments, leases, and utility service agreements. Payroll costs include employee salaries (up to an annual rate of pay of $100,000), hourly wages and cash tips, paid sick or medical leave, and group health insurance premiums. If you would like to use the Paycheck Protection Program for other business-related expenses, like inventory, you can, but that portion of the loan will not be forgiven.

Q: When is the loan forgiven?

A: The loan is forgiven 8 weeks after you take out the loan. Borrowers will work with lenders to verify covered expenses and the proper amount of forgiveness.

Q: What is the covered period of the loan?

A: The covered period during which expenses can be forgiven extends from February 15, 2020 to June 30, 2020. Borrowers can choose which 8 weeks they want to count towards the covered period, which can start as early as February 15, 2020.

Q: How much of my loan will be forgiven?

A: The purpose of this program is to retain employees at their current base pay. If you keep all of your employees, the entirety of the loan will be forgiven. If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees. If your total payroll expenses on workers making less than $100,000 annually decreases by more than 25 percent, loan forgiveness will be reduced by the same amount. If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.

Q: Am I responsible for the interest on the forgiven loan?

A: No, if the full loan is forgiven, you are not responsible for the interest accrued in the 8-week covered period. The remainder of the loan that is not forgiven will operate according to the loan terms agreed upon by you and the lender.

Q: What are the interest rate and terms for the loan amount that is not forgiven?

A: The terms of the loan not forgiven may differ on a case-by-case basis. However, the maximum terms of the loan feature a 10-year term with interest rate of 1 percent and a 100 percent loan guarantee by the SBA. You will not have to pay any fees on the loan, and collateral requirements and personal guarantees are waived. Loan payments will be deferred for at least six months and up to one year starting at the origination of the loan.

Q: When is the application deadline for the program?

A: Applicants are eligible to apply for the Paycheck Protection Program loan until June 30, 2020.
Q: I took out a bridge loan through my state, am I eligible to apply for the Paycheck Protection Program?

A: Yes, you can take out a state bridge loan and still be eligible for this program.

Q: If I have applied for, or received an Economic Injury Disaster Loan (EIDL) related to COVID19 before the Paycheck Protection Program became available, will I be able to refinance into a Paycheck Protection Program loan?

A: Yes. If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the Paycheck Protection Program loan becomes available, you would be able to refinance the EIDL into the Paycheck Protection Program for loan forgiveness purposes. However, you may not take out an EIDL and a Paycheck Protection Program loan for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a Paycheck Protection Program loan, would remain a loan. If you took advantage of an emergency EIDL grant award of up to $10,000, that amount would be subtracted from the amount forgiven under Paycheck Protection Program.

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For more information from the Treasury Department, click here.