



Paycheck Protection Program FAQs

The Committees on Financial Services and Small Business
April 7, 2020



What is the Paycheck Protection Program and Loan Forgiveness?

- The CARES Act provided \$349 billion to establish the Paycheck Protection Program (PPP) through June 30, 2020.
- Loans used to cover eight weeks of payroll costs and other qualified expenses may be forgiven.
- Seventy five percent of the loan amount forgiven must be used for payroll costs. The remaining 25 percent of the loan forgiveness amount may be used for non-payroll costs (interest on mortgage, utility payments, rent).
- Financial institutions are the lenders in the program. The Small Business Administration (SBA) provides a 100 percent government guarantee on the loan.

Who is eligible to participate in the program?

- A business with 500 or fewer employees—including 501(c)3 nonprofits, 501(c)19 veterans' organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors—are eligible.
- The CARES Act also provides eligibility to businesses with more than 500 employees in certain industries:
 - o An accommodation (hotels, motels) or food service as listed under North American Industry Classification System (NAICS) code 72;
 - o Any business operating as a franchise that is assigned a franchise identifier code by the SBA;
 - o Any business that receives financial assistance from a Small Business Investment Company (SBIC); or
 - o Faith-based organizations.

What can a small business use the loan for?

- To be eligible for loan forgiveness for the entire amount of the loan, at least 75% of the loan proceeds must be used on payroll costs, and the remainder used for rent, utilities, and mortgage interest.

Are there limits to the loan amounts?

- Loans are calculated by multiplying the average monthly payroll, based on the prior year's payroll, by two and a half. Loans are capped at \$10 million.
- The loan maturity will be 2-years and the interest rate will be 1 percent.

Do I have to go to the Small Business Administration for the loan?

- No. The Paycheck Protection Program will be delivered to small businesses through private lenders. Small Business Administration certified lenders and other non-certified lenders are eligible to participate.

What banks are participating in the program? Are credit unions eligible?

- Applicants can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, or Farm Credit System institution that is participating.
- Some financial technology businesses may be eligible if they meet certain operational requirements and apply to the U.S. Department of the Treasury to become lenders.



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How do I apply?

- Interested entities should inquire with their preferred lending partner.
- Small businesses and sole proprietorships can apply now. Starting April 10, 2020, independent contractors and self-employed individuals can apply.
- Loans are first come first serve.
- Applicants may use e-consents or e-signatures on the loan.
- Loans may be deferred for six months.
- Applicants must certify the following information:
 - o Current economic uncertainty makes the loan necessary to support your ongoing operations;
 - o The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments;
 - o You have not and will not receive another loan under this program;
 - o You will provide documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan; and
 - o All the information provided, and all supporting documents and forms, are true and accurate.

I'm a financial institution, how do I participate?

- SBA certified lenders, federally insured depository institutions, federally insured credit unions and Farm Credit System institutions are eligible to participate in the program.
- Lenders must verify:
 - o a borrower was in operation on February 15, 2020.
 - o a borrower had employees for whom the borrower paid salaries and payroll taxes.
- Lenders must follow applicable Bank Secrecy Act requirements.
- Lenders will not be required to verify a business' documentation for loan forgiveness as long as the business attests to accuracy.
- All loans issued by lenders are 100 percent backed by SBA.
- For PPP loans, the SBA will pay processing fees to lenders in the following amounts:
 - o Five (5) percent for loans of not more than \$350,000;
 - o Three (3) percent for loans of more than \$350,000 and less than \$2,000,000; and
 - o One (1) percent for loans of at least \$2,000,000
- No fees will be assessed on the borrower.
- The SBA Administrator will hold lenders "harmless" for information submitted and certified by borrowers. Lenders should conduct due diligence consistent with the quality of documentation provided by borrowers.
- Lenders may use own their own online systems and forms to collect information from borrowers. (Lenders will be required to submit data to SBA through SBA interface).
- Loans are available for advance purchase by the SBA, and the Federal Reserve announced it is creating a federal funding mechanism to provide term financing to enhance lender liquidity.