



How to Get a Small Business Loan Under the Paycheck Protection Program Updated Q &A (4.23.20)

On April 21, the Senate passed, by unanimous consent, the \$484 billion agreement to deliver more pandemic aid to small businesses and hospitals in addition to federal, state, and local coronavirus testing. The House is expected to return Thursday, April 23 for an in-person vote. The president is expected to sign the bill by no later than Friday morning, depending on when the House passes the bill later today.

The measure — originally meant to serve as an “interim” small business fix before lawmakers embarked on negotiations for another trillion-dollar-plus relief package — will provide \$310 billion for the [depleted](#) Paycheck Protection Program (PPP), according to a summary of the legislation. Click [here](#) to see the full bill language. Separately, the bill increases the authorization level for the program by \$310 billion.

Specifics:

\$310 billion unrestricted for PPP

\$60 billion in PPP set aside for smaller institutions (banks and credit unions)

- \$30 billion for assets less than \$10 billion
- \$30 billion for assets between \$10 billion and \$50 billion.

The program is designed to get cash into the hands of suffering small businesses quickly, with less red tape and fewer guardrails than the Small Business Administration’s (SBA) existing loan programs. It is designed to incentivize business owners to keep employees on the payroll by offering them loan forgiveness.

The new loan program is separate from existing federal loan programs, including the Small Business Administration’s disaster relief loans.

To learn about the SBA’s other relief programs, visit the [SBA’s covid-19 resource center](#).

Here are the [details on how small-business owners](#) can access the new federal Paycheck Protection Program.

Q: How do I apply for a small business loan through the Paycheck Protection Program?

A: The new [application](#) has been posted on the Treasury Department's CARES Act [small business resource page](#). After you gather the information described on the application form you should contact your bank or an approved lending institution to start the application process.

The SBA has a network of at least 1,800 approved lenders that process small business loans and intends to add more of them. If your bank is not an SBA-approved lender or you don't have an existing banking relationship, you can contact the [SBA to find one](#).

Borrowers are advised to apply online or by phone rather than in person. If you don't already have an established banking relationship, your application will be handled on a first-come, first-served basis, SBA and Treasury Department officials have said.

Q: How do I apply for an SBA disaster loan?

A: The SBA has traditionally accepted disaster loan applications through an online portal on the agency's website, by mail, or at its field offices. However the web portal is currently inactive due to the lapse in appropriations. The agency is also unable to accept mailed applications for this reason. (We will update this section when the SBA reactivates its online application.)

Q: What costs will the new loans cover?

A: The new loans will cover payroll costs and employee benefits, mortgage interest incurred before February 15, 2020, rent and utilities under lease agreements in force before February 15, 2020, and utilities for which the service began before February 2020.

Payroll costs include salary wages, commissions and tips capped at \$100,000 for each employee. It also includes benefits for vacation, parental leave, medical leave, sick leave, some other limited benefit categories. In some cases, they also can cover interest on other debts.

Q: How do I prove that my losses are because of coronavirus?

A: The new loans are available to any business for which "current economic uncertainty makes the loan necessary to support your ongoing operations," according to an [SBA fact sheet](#). Your lender will determine whether you qualify without a separate SBA review, although the SBA will check to see whether you have already received one.



Q: Which businesses qualify under the Paycheck Protection Program?

A: Small businesses, nonprofits, tribal business concerns that meet the SBA's standard business size definition, and veterans' organizations organized under 501(c)(19) with fewer than 500 employees are eligible for loans under the program. Self-employed individuals, independent contractors, and sole proprietors also are eligible. To receive a loan, your company must have been in business as of Feb. 15, 2020.

There are criminal penalties of up to \$1 million for submitting fraudulent information to a federally insured lender.

Q: I work as a sole proprietor or independent contractor. Can I receive a loan through the Paycheck Protection Program?

A: Yes. The law specifically provides for sole proprietors and independent contractors. SBA administrator Steve Bulger said Wednesday morning that loans for independent contractors are likely to be made available one week after the other small business loans, which would translate to a start date of April 10, 2020 for those loans.

Q: My primary bank won't accept my PPP application because I don't have a business account with it. What should I do?

A: Many banks, including Bank of America and JPMorgan Chase, have limited applications to customers with preexisting relationships. Under the program, banks must conduct due diligence on small businesses' applications, and banking industry officials have said that process is easiest with companies they already know well. Many, but not all, smaller community banks and credit unions are accepting applications from new customers. Also, the new funding bill includes \$60 billion for lenders with less than \$50 billion in assets, giving small community banks a carve-out the industry has said will help them serve smaller companies.

Q: I run a small partnerships or S-corporations. Am I eligible?

A: If you are an S-Corp owner, 1065 partnership owner, sole proprietor, independent contractor or gig worker, you qualify for a PPP loan:

- Sole proprietors who report income and pay taxes on a Schedule C in your personal tax return.
- Independent contractors who collect 1099-MISC forms.
- 1120S/S Corporation owners without employees other than themselves and who pay themselves salary and take a distribution.
- 1065 partnership owners who have no employees other than the owners.

The only stipulation is that your business was operational as of February 15, 2020. If you started your business after that date, you will not be eligible for this program.



Q: How much money can my business receive through the new loan program?

A: The Paycheck Protection Program provides small-business loans of up to \$10 million to cover payroll and certain other expenses, or 2.5 times your total payroll expenses for the loan period. Other SBA loan programs, including the federal disaster relief program, offer much smaller loans.

Q: My bank never responded to the application I filed before the initial \$349 billion was exhausted. Should I apply again?

A: Nearly 80 percent of the small businesses that applied for a loan were still waiting for an answer as of April 17, the day after the program ran out of money, and many didn't know where they stood in the process, according to the National Federation of Independent Business. Banks have said they process loans on a first-come, first-served basis, and many continued accepting applications after the program's initial funds were exhausted. Small-business owners should check with their banks to determine where they stand in the process.

Q: What information should I prepare?

A: You will be asked to provide basic identifying information for your business, your business TIN number, your average monthly payroll, the number of jobs supported by your company and what specifically how you will use the loan money. You will also be asked to list all owners who hold at least a 20 percent ownership stake in the company and affirm that they are not party to federal crimes.

You will also be asked to provide the lender with documentation regarding your employee headcount over time as well as your payroll costs. [Click here for the application form.](#)

Q: What costs will the new loans cover?

A: The new loans will cover payroll costs, employee benefits, mortgage interest incurred before Feb. 15, rent and utilities under lease agreements in force before that date, and utilities for which the service began before February. At least 75 percent of the loan must go to payroll, according to a [regulation](#) published April 2.

Payroll costs include salary wages, commissions and tips capped at \$100,000 for each employee. It also includes benefits for vacation, parental leave, medical leave, sick leave and some other limited benefit categories. The Paycheck Protection Program excludes sick and family leave that also qualifies for certain Internal Revenue Service tax credits, according to [an April 6 fact sheet](#) from the Treasury Department. Information on Cares Act tax credits can be accessed on the IRS website [here](#).

The Treasury Department directs borrowers to calculate their payroll for purposes of the loan program without including federal taxes. The department has a detailed description of how it considers taxes on Page 5 of its [April 6 Q&A](#).

You should not include payments your business makes to independent contractors or subcontractors, because the Treasury Department directs them to apply separately. The new loans apply to costs incurred from Feb. 15 to June 30, although that time period can be adjusted for businesses with especially seasonal income.

Q: *What's the interest rate?*

A: Interest rates for the Paycheck Protection Program were initially set at 0.5 percent but were increased to 1 percent after lenders raised concerns. The Cares Act caps PPP loans at 4 percent, so it is possible the rate could increase again. The interest you pay on a PPP loan can be forgiven if you are able to keep paying employees during the first 8 weeks after you receive the loan.

Interest rates on disaster-assistance loans are set at 3.75 percent for small businesses and 2.75 percent for nonprofit groups.

Q: *What will the payment schedule look like?*

A: The first payment will be due after six months and the full loan will be due after two years, according to SBA informational materials.

Q: *It looks like there are a lot of different federal loan programs. Can my business receive funding through more than one?*

A: Yes. Businesses that have pending or existing SBA disaster assistance loans can still receive funding through the Paycheck Protection Program as long as the loans are not being used for the same thing. You also can still apply for a loan if you have an insurance claim pending. A single business cannot apply for more than one Paycheck Protection Loan, however.

Q: *What if I'm still paying off a different SBA disaster loan?*

A: The Small Business Administration has made all deferments through Dec. 31 automatic. That means small-business owners do not have to contact the SBA to request deferment. If you have an existing or pending loan through the SBA's disaster assistance loan program, you can refinance it into your Paycheck Protection Program loan, possibly lowering your interest rate.

Q: *Can the loan eventually be forgiven?*

A: Yes. The program includes loan forgiveness covering costs for the first eight weeks of the loan for companies able to keep employees on the payroll or continue paying bills throughout the coronavirus crisis.

The amount of loan forgiveness will include payroll costs for individuals below \$100,000 in annual income, mortgage and rent obligations, including interest and utility payments, according to the SBA. If an employee is above a \$100,000 annual salary, the first \$100,000 will be factored into the company's loan forgiveness total excluding any amount above that. The payroll cost includes health-care benefit payments, retirement benefits, and state and local taxes. It excludes employees who live outside the United States, according to the SBA.

The SBA provides a detailed description of how payroll should be calculated on Page 8 of [this SBA regulation](#).



The amount of loan forgiveness will be reduced if your workforce is drawn down through attrition or if wages are reduced. You may be able to preserve some of your loan forgiveness by hiring employees back, however.

Although SBA disaster loans cannot be forgiven, they can be refinanced into a forgivable Paycheck Protection Program loan.

The SBA is expected to release more information about how to apply for the loan forgiveness. We will update this information when available.

Q: If I receive a salary as a sole proprietor, independent contractor, limited liability partnership, or other business that I own, can I count my own salary towards loan forgiveness?

A: According to [an SBA regulation](#) published April 16, independent contractors and sole proprietors can calculate their payroll by adding up “wages, commissions, income, or net earnings from self-employment or similar compensation.” An [April 14 regulation](#) published by the Treasury Department lists “owner compensation replacement” among the allowable costs for a PPP loan.

A partnership should submit a single, unified application in which the self-employed income of all general active partners counts toward the payroll cost. The Treasury Department specified in an April 14 regulation that partnerships are limited to just one application.

Q: What if the money runs out again?

A: Some banking-industry officials have warned that this could happen.

After the initial \$349 billion was exhausted, many banks continued to process applications that they plan to submit once the program receives more funding. Industry officials have said they expect the money to be spent faster this time, potentially in just a few days, since so many applications will be submitted at once. Also, kinks in the program that slowed the application process initially have largely been worked out, which banking officials say should also speed the process.

If that happens, it will be up to Congress to decide whether to provide the Paycheck Protection Program even more funding. Economists at Bank of America have said the program may ultimately need close to \$1 trillion to help all eligible small businesses.