



SMALL BUSINESS LOAN INFORMATION

As part of the two trillion dollar stimulus package signed into law, the CARES Act, is the small business program to help small businesses navigate the economic fallout from the coronavirus pandemic. There are approximately 30 million small businesses in the United States that employ 60 million people. This \$349 billion dollar program, known as the Paycheck Protection Program (PPP), is a key element to provide needed small business assistance. The Small Business Administration (SBA) is the authorizing government agency for the loan program.

Under the PPP, companies with fewer than 500 employees are eligible for low interest loans up to \$10 million dollars. The PPP is supposed to encourage business owners to keep employees on the payroll and assist with mortgage and rental payments. In an effort to retain employees, small businesses can have their loans forgiven if they spend most of it retaining and rehiring employees. To qualify for forgiveness, so you don't have to pay back the loan, small businesses are supposed to spend at least 75% of the funds on payroll within eight weeks of receiving the loan. The remaining 25% must be spent on rent, mortgage/mortgage interest and utilities. If small businesses don't apply their loans in this manner they will need to start repaying their loans after a six-month grace period.

Through the PPP, a broad variety of entities can qualify for these loans including non-profit and faith-based organizations. It also provides \$10 billion in emergency grants in amounts up to \$10,000 for small businesses to pay for operating expenses. These loans can also be forgiven if businesses keep their employees on payroll through June 2020.

To date, the PPP has been swamped by overwhelming demand from small businesses. More than 660,000 loans have been approved for a total of \$168 billion dollars. Of that amount, data is not yet available to indicate how many small businesses have actually received the money. However, this does show that almost half of the money allocated in the PPP has been obligated.

This clearly will not meet the demand for financial help and an additional infusion of funds will be required. In response, Treasury Secretary Steve Mnuchin made an urgent request to Congressional Leaders for an additional \$250 billion dollars.

Like other programs that have come from the CARES Act, which is the largest economic rescue package in history, the PPP has also encountered a growing number of problems. We find that some small businesses are having trouble applying for these loans, and those without strong prior banking relationships are not able to secure loans. The financial commitments have gone out on a first come first serve basis and have not answered the demand of many, many small businesses.

Democratic Leaders do not want to sign off on Secretary Mnuchin's \$250 billion dollar increase, finding it unacceptable, especially if certain measures are not put in place to help small businesses in underserved communities. To ensure this, they want at least \$60 billion dollars, if not more, to be designated to go through community-based financial institutions serving minority, women, farmers and veteran owned businesses and nonprofits. Their position is that we must ensure all eligible small businesses can access this critically necessary funding and are not turned away by banks.

U. S. House of Representatives Speaker Nancy Pelosi is a staunch advocate for this important designation. She was a guest speaker on April 8th for the NAACP and BET's – Unmasked: A Covid 19 Town Hall Series. She stressed the point that the PPP initiative must not solidify the disparity in access to capital faced by many small businesses in underserved communities. Money must reach the underserved and under-banked small business population and break

the disparity in access to credit. Community Development Financial Institutions (CDFI) can provide loan money to these small community based businesses so they are not last in line.

Senate Republican Leaders have pushed back on the Democratic Leadership's ask, and as a result, the requested \$250 billion dollar increase in funding for the PPP has stalled. Further discussion among the Congressional Leadership will soon be forthcoming as the urgent need for ALL small business to receive financial help soars.

We will continue to provide important updates as they become available.

Small Business Loan Frequently Asked Questions FAQs

Who is the Paycheck Protection Program (PPP) for?

- The Paycheck Protection Program of the CARES Act provides relief primarily to small businesses and nonprofits with up to 500 employees. To be eligible, small businesses must have been impacted by COVID-19 and in business as of February 15, 2020.
- The \$349 billion PPP expands loan eligibility under the SBA's 7(a) program with the intention of assisting businesses with covering costs related to payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities and interest on existing debt.

What must business owners do to qualify?

- Borrowers must certify that the funds will be used for approved purposes and that they are not receiving assistance from another source. It is for small businesses or other approved entities with a maximum of 500 employees or less.

What documents do I need to apply?

- Each lender will set its own rules, but the basic information you will need is: documentation of your average monthly payroll (generally as of Feb. 15, 2020) and provide records on other expenses you're looking to cover, like rent and utilities.

What can the PPP loan be used for?

- Loans are to be used for payroll costs (excluding amounts above an annual salary of \$100,000 for employees who make more than that amount), mortgage/debt interest, rent and utilities, and refinancing an Economic Injury Disaster Loan (EIDL) made between January 31, 2020, and April 3, 2020.

What is the maximum size of a PPP loan?

- The maximum loan amount is the lesser of 2.5 times the business's average monthly payroll costs and \$10 million.
- For non-seasonal employers, average monthly payroll is the average total monthly payments for payroll during 2019 (per the application), or the previous 12 months (according to guidance on April 6, 2020).
- For seasonal employers, average monthly payroll is the average total monthly payments for payroll for the period from February 15, 2019, to June 30, 2019 (or March 1, 2019, to June 30, 2019, at the election of the borrower).
- For businesses that were not in operation from February 15, 2019, to June 30, 2019, average monthly payroll is the average total monthly payments for payroll for the period from January 1, 2020, to February 29, 2020.

Is there a loan forgiveness provision under the PPP?

- Yes, there is the potential for the loan principal (and interest accrued thereon) to be forgiven up to the amount spent on payroll costs, mortgage interest, rent and/or utilities during the eight weeks after the issuance of the loan.
- Mortgages, leases and service contracts must have originated prior to February 15, 2020, for payments to be eligible.
- No more than 25% of the forgivable amount may be used for non-payroll expenses.
- The amount of the loan forgiveness will be reduced if there is a reduction in the number of employees or wages in excess of 25% of total wages during the period.

What if I have already laid off workers, am I still eligible to apply for a PPP loan?

- Yes, but as a reminder, the forgivable portion is dependent on how many full-time equivalent (FTE) employees you have during the "covered period" (the first eight weeks of the loan) compared to the base period (February 15, 2019–June 30, 2019; non-seasonal employers may elect to use January 1, 2020–February 29, 2020, instead).

What will be the interest rate of the PPP loan?

- The rate on all PPP loans is 1.0% per year.

What will be the term of the PPP loan?

- The maturity for all PPP loans is two years. Small business owners will not have to make any payments for six months following the date of disbursement of the loan.

May I repay the PPP loan in less than two years?

- Yes, there is no prepayment penalty.

What is the deadline to apply for the PPP Loan?

- The CARES Act set a deadline of June 30, 2020, to apply for PPP loans.
- Notwithstanding the June 30 deadline, the current total amount of PPP loans the Act authorizes for the entire country is \$349 billion, and funds will be loaned on a first-come, first-served basis. However, to meet the overwhelming demand and also to ensure PPP loans are being made to those small businesses in under-served/under-banked communities the Congressional Leadership are working and an expansion of PPP funds to the tune of \$250 billion additional dollars.

Do I need to pay my mortgage? Rent? Utilities? Credit card?

- Yes, the loan is meant to help small business owners cover their expenses. However, check with your lender/landlord to see if any federally or state-mandated debt/rent relief applies as well.

How will this impact my credit?

- There are no personal guarantees or collateral required for a PPP loan, so participation in this program generally should not adversely impact your credit.

Where can I go for additional information?

- The U.S. Treasury CARES website, <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses> which also includes information

for borrowers, a PPP application and an [FAQ document](#) addressing borrower and lender questions.

The U.S. Chamber of Commerce [Combatting the Coronavirus website](#), including its Emergency Loans Small Business Guide and Checklist.