



Paycheck Protection Program

Updated June 12, 2020

The Paycheck Protection Program (PPP) provides low-interest loans to small businesses and other entities to keep workers on the payroll. Since March, Congress has passed three separate PPP measures:

1. [The CARES Act, H.R. 748](#), which established the Paycheck Protection Program and provided \$349 to the Small Business Administration (SBA) to guarantee loans.
2. [The Paycheck Protection Program and Healthcare Enhancement Act, H.R. 266](#), which provided an additional \$310 billion in lending authority for the program, after the initial funding was exhausted after just 13 days. The legislation also set aside \$60 billion for small lenders, following concerns that PPP was not benefiting real small businesses.
3. [The Paycheck Protection Program Flexibility Act, H.R. 7010](#), which increases the program's and extends the program's covered period from June 30 to Dec. 31 (though lawmakers have clarified that the lending authorization for the program still expires June 30).

As of Tuesday, June 9, the program has over \$130 billion in lending authority left.

Eligibility

The following entities are eligible to receive PPP loans:

- Any small business concern that meets SBA's size standards (either the industry-based size standard or the alternative size standard)
- Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, or Tribal business concern that either has 500 or fewer employees or that meets the SBA industry size standard, if it has more than 500 employees
- Any business with a NAICS Code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 employees per location
- Sole proprietors, independent contractors, and self-employed persons

Loan Size

Businesses and other entities are eligible to receive loans of up to 2.5 times their average monthly payroll, with a \$10 million cap on the loan. Payroll costs per employee are limited to \$100,000.

Loan Forgiveness

PPP loans will be forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. To be fully forgiven, 60% of the loan must be spent on payroll.



Payroll costs eligible for forgiveness include:

- Salary, wages, commissions, or tips
- Employee benefits such as healthcare and retirement benefits as well as vacation, parental, family, medical, or sick leave
- State and local taxes assessed on compensation

Employers must also maintain their staffing and salary levels for their PPP loan to be forgiven before Dec. 31, and forgiveness will be reduced if these levels are cut. However, those businesses that can prove they are unable to rehire or hire similarly qualified employees or are unable to resume normal business due to sanitization and distancing rules are still eligible for forgiveness.

Loan funds must be spent within twenty-four weeks after the loan is made or before Dec. 31, whichever is earlier.

[Paycheck Protection Forgiveness Loan Forgiveness Instructions and Application](#)

Loan Terms

For loans that are made before June 5, any amount that is not forgiven must be repaid within two years. For loans made after June 5, the maturity of the loan is five years. Under SBA guidance, the maximum interest rate is 1%.

Borrowers are able to defer principal and interest loan payments until SBA compensates lenders for any amount of the loan that is not forgiven. Those borrowers that do not apply for forgiveness are required to begin making payments ten months after the program expires.

No collateral or personal guarantees are required, and neither the government nor lenders will charge any fees for the program.

Notably, H.R. 7010 repeals a provision in the CARES Act which prohibited companies that had their PPP loans forgiven from deferring their payroll tax payments.

How to Apply

Businesses can apply for a loan at any time until June 30. Businesses can apply for a loan through any existing SBA7(a) lender, bank, or credit union that is participating in the program.

[Paycheck Protection Program Borrower Application Form](#)

SBA FAQs and Statements

- [Joint Statement by Treasury Secretary Steven T. Mnuchin and SBA Administrator Jovita Carranza Regarding Enactment of the Paycheck Protection Program Flexibility Act](#)
- [Frequently Asked Questions for Lenders and Borrowers \(5/27/2020\)](#)



- [Frequently Asked Questions for Faith-Based Organizations Participating in the Paycheck Protection Program and Economic Injury Disaster Loan Program](#)
- [How to Calculate Loan Amounts](#)

Paycheck Protection Program Interim Final Rules

- [Business Loan Program Temporary Changes; Paycheck Protection Program – Revisions to First Interim Final Rule](#)
- [Paycheck Protection Program](#)
- [Affiliation Rules](#)
- [Additional Eligibility Criteria and Requirements for Certain Pledges of Loans for the Paycheck Protection Program](#)
- [Promissory Notes, Authorizations, Affiliation, and Eligibility](#)
- [Seasonal Employers](#)
- [Disbursements](#)
- [Requirements – Corporate Groups and Non-Bank and Non-Insured Depository Institution Lenders](#)
- [Nondiscrimination and Additional Eligibility Criteria](#)
- [Extension of Limited Safe Harbor with Respect to Certification Concerning Need for PPP Loan Request](#)
- [Requirements for Loan Increases for Partnerships or Seasonal Employers](#)
- [Eligibility of Certain Electric Cooperatives](#)
- [Treatment of Entities with Foreign Affiliates](#)
- [Second Extension of Limited Safe Harbor with Respect to Certification Concerning Need for PPP Loan and Lender Reporting](#)
- [Requirements – Loan Forgiveness](#)
- [SBA Loan Review Procedures and Related Borrower and Lender Responsibilities](#)
- [Eligibility of Certain Telephone Cooperatives](#)

SBA Guidance for Lenders

Lender Notices

- [SBA Procedural Notice on Participation Sales](#) for Paycheck Protection Program Loans. The purpose of this Notice is to provide guidance to Lenders approved to participate in the Paycheck Protection Program regarding the sale of participating interests in PPP loans.
- [SBA Procedural Notice on Whole Loan Sales](#) for Paycheck Protection Program Loans. This notice provides guidance on the procedures for completing whole loan sales of PPP loans between participating lenders.
- [SBA Procedural Notice on Lender Processing Fee Payment and 1502 Reporting Process](#) for the Paycheck Protection Program. The purpose of this Notice is to inform PPP Lenders of the reporting process through which PPP Lenders will report on PPP loans and collect the processing fee on fully disbursed loans which they are eligible to receive.



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Lender Forms

- [Paycheck Protection Program Loan Forgiveness Application](#)
- [Paycheck Protection Program Lender Application Form](#)
- [Lender Agreement \(Federally Insured Depository Institutions, Federally Insured Credit Unions, Farm Credit System Institutions\)](#)
- [Lender Agreement \(Non-Bank and Non-Insured Depository Institution Lenders\)](#)
- [SBA Standard Loan Note \(Form 147\)](#)