

A GUIDE TO OBTAINING SBA "PAYCHECK PROTECTION" LOANS

AS OF APRIL 3, 2020



The SBA is providing relief to help small businesses make payroll and cover operating costs while the economy is at a standstill due to COVID-19. Loans used for these purposes within 8 weeks of disbursement may be forgiven. Here's a quick guide to understanding how the loans work and determining whether you qualify.

Are you eligible?

The program is generally for small businesses and nonprofits with ≤500 employees launched before 2/15/20 – but certain exceptions apply (see below).

How do you prove it? You have paid salaries and payroll taxes for employees.

Who else is eligible? Certain industries have higher thresholds. If you know your NAICS code, you can check using the [SBA's small business eligibility tool](#).

- E.g., if you're in the restaurant, food service or hotel industry, the standard is ≤500 employees in any one location.
- Sole proprietorships and independent contractors are also eligible, under different terms.

YES

Who qualifies as an employee for purposes of assessing your business' eligibility? Individuals employed full-time, part-time, or other basis + employees of your U.S. and non-U.S. affiliates. The SBA also looks at your affiliates. Give us a call or talk to your banker if you have affiliate relationships (e.g., through ownership, including by private equity, or contractual relationships) that might trigger a higher employee count.

What is the maximum loan amount available?

2.5x
your average monthly payroll costs over the past year

+

the amount of any other SBA debt approved for refinancing, including any debt incurred as a result of COVID-19 under the Economic Injury Disaster Loan (EIDL) Program

= **≤\$10M**

What can you use the loan for?

U.S. Payroll Costs

- ✓ Salaries (<\$100k annual), wage, commission, or similar compensation
- ✓ Payment of cash tip or equivalent
- ✓ Payment for vacation, parental, family, medical, or sick leave
- ✓ Allowance for dismissal or separation
- ✓ Payment for group health care benefits
- ✓ Payment of retirement benefit
- ✓ Payment of state or local taxes on employee compensation

Operating Costs

- ✓ Payment of interest (but not principal) on any mortgage or other debt obligations incurred before 2/15/20
- ✓ Rent
- ✓ Utilities

How does loan forgiveness work?

For the 8 weeks after the loan origination, every dollar the company spends on payroll and certain operational costs will be forgiven, up to the total amount the company borrowed through the program. The amount will be reduced:

- ✓ For any layoffs, as determined pursuant to a specified formula
- ✓ For reducing wages of employees who make <\$100K by 25% or more

What about the rest?

If any portion remains, it will have a 2-year maturity, with a 1% interest rate. Payment is deferred for 6 months. No prepayment penalty.

Can you qualify if you already have an SBA loan?

Yes. The SBA will pay the principal, interest, and associated fees on certain pre-existing SBA loans for 6 months. EIDL loans issued as a result of the COVID-19 pandemic can be refinanced into a 7(a) Paycheck Protection Program loan.

How do you actually get the loan?

1,800

FDIC-insured banks are approved and the Treasury Department promises more to come. You can access a list of the most active SBA-approved lenders [here](#), or use the SBA's [lender match resource](#).

When can you apply?

by 6/30/20

How long does it take?

The Treasury Department says same-day loans will be available

starting 4/3/20

NO

If you don't qualify for an SBA loan, but would like to understand other government and private financing options, please visit our [COVID-19 resource page](#) or [contact our team](#).