



## CAI Member

### Paycheck Protection Program Summary

#### Program Purpose

The Paycheck Protection Program (PPP) is a loan and grant program administered by the Small Business Administration to help small businesses and nonprofit organizations remain solvent and retain employees during the COVID-19 pandemic. The PPP consists of two loan programs, the general PPP loan program and a second draw PPP loan for eligible borrowers who are able to demonstrate significant financial impairment.

#### General PPP Loan Eligibility

Eligible entities include businesses that have fewer than 500 employees, nonprofit organizations described in section 501(c)(3) and (6) of the Internal Revenue Code of 1986, **and housing cooperatives**. Sole proprietors, independent contractors, and self-employed individuals are also eligible to apply for PPP loans.

Eligibility is limited to businesses, nonprofit organizations, sole proprietors, independent contractors, and self-employed individuals in operation prior to February 15, 2020.

#### Automatic Payment Deferral

Borrowers qualify for an automatic 6-month complete payment deferral that includes principal, interest, and fees that may be extended up to 1 year.

#### Maximum Loan Amount

The maximum loan amount per borrower is the lesser of a formula-based calculation based on payroll obligations or \$10 million.

Maximum loan amounts are the product of multiplying the average monthly payroll costs of the one-year period before loan application by 2.5. (i.e., (\$25,000 average monthly payroll costs April 1, 2019, to March 31, 2020) X (2.5) = \$62,500 maximum loan amount).

Applicants operational prior to February 15, 2020, but not operational for a year will use average payroll costs for January 2020 and February 2020 as the payroll variable in the maximum loan amount formula.



Forgivable Loan Uses

Loan amounts used to meet eligible payroll costs (see restrictions below); mortgage interest payments; rent; utilities; and interest on other debt incurred before February 15, 2020 are eligible for forgiveness. Other costs eligible for loan forgiveness include technology necessary for payroll or inventory management (i.e., cloud computing software); capital and operating expenditures to ensure a safe workplace for employees during the COVID-19 pandemic; contractual supplier costs for goods and services essential to the borrower’s business operations; and uninsured or otherwise uncompensated damages resulting from domestic civil unrest in 2020.

<u>Eligible Payroll Costs</u>	<u>Ineligible Payroll Costs</u>
<ul style="list-style-type: none"> <li>• salaries, wages, and commissions</li> <li>• vacation, family, medical, or sick leave</li> <li>• severance pay</li> <li>• group health insurance premiums</li> <li>• retirement benefits</li> <li>• state and local employee compensation taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Individual employee compensation that exceeds \$100,000 as prorated by program rules</li> <li>• Compensation for employees whose principal place of residence is outside of the United States</li> <li>• Qualified sick leave wages covered by the Families First Coronavirus Response Act</li> <li>• Qualified family leave wages covered by the Families First Coronavirus Response Act</li> </ul>

Loan Forgiveness

Borrowers may choose a “covered period” to use loan proceeds for forgivable purposes between 8 and 24 weeks from the date of PPP loan disbursement. Qualifying expenditures to fulfill payroll, rent, utilities, and mortgage interest obligations in addition to technology, worker COVID-19 protection, supplier costs, and property damages made during the covered period are eligible to be forgiven.

Loan Terms for Non-Forgivable Balance

Non-forgivable loan balances are payable over a 10-year term with an interest rate of no more than 4 percent.



### How to Apply

SBA authorized lenders will manage loan application, disbursement, and payments. Contact your financial institution for details on the application process.

### **Second Draw PPP Loans**

#### Second Draw Eligibility

The following entities are eligible to apply for a second draw PPP loan—

- 300 or fewer employees
- Have exhausted or will have exhausted a general PPP loan disbursement prior to application
- Document a 25% reduction in gross receipts from a 2019 quarter to a comparable 2020 quarter (i.e., show a decline in gross receipts of 25% or greater from the third quarter of 2019 to the third quarter of 2020)
- Be eligible to participate in the general PPP loan program

#### Maximum Second Draw Loan Amount

Loan amounts are calculated by multiplying average monthly payroll costs in the one year prior to the loan or the current calendar year by 2.5. No second draw PPP loan may exceed \$2 million.

#### Second Draw Loan Forgiveness Terms

The total amount of forgivable second draw PPP loan amounts is generally equal to the sum of a borrower's payroll costs, eligible mortgage, rent, and utility payments, eligible operational costs, worker safety costs, and supplier costs. Repair costs for businesses damaged in domestic civil unrest in 2020 that received no compensation for damages through insurance or any other source are also eligible for forgiveness.

[Small Business Administration – Paycheck Protection Program web site.](#)

Disclaimer: This guidance is not intended to serve as legal advice or lending advice. Please contact a professional lender to assist you and your community or business.