

Simple Explanation for the Paycheck Protection Program (PPP) for Small Businesses

The Paycheck Protection Program is a Small Business Administration program designed to provide assistance for small businesses to keep their workers on the payroll with payroll forgiveness features.

The SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

The Paycheck Protection Program will be available [through June 30, 2020](#).

Where to apply for the Paycheck Protection Program

Any lending institution that is approved to participate in the program through the existing U.S. Small Business Administration (SBA) 7(a) lending program and additional lenders approved by the Department of Treasury are qualified application points.

This means that the bank you already use, or a close by bank may be used. Thousands of banks already participate in the SBA's lending programs, including numerous community banks.

You will not have to visit any government institution to apply for the program. Simply call your bank or find SBA-approved lenders in your area through SBA's online Lender Matching tool.

You can call your local SBDC Small Business Development Center or Chamber of Commerce and they can provide free assistance and guide you to lenders.

How to know if you are eligible for the loan?

You are eligible for a loan if you are a small business that employs 500 employees or fewer, or if your business is in an industry that has an employee-based size standard through SBA that is higher than 500 employees.

Tribal businesses, 501(c)(19) veteran organizations, and 501(c)(3) nonprofits, including religious organizations, will be eligible for the program. Nonprofit organizations are subject to SBA's affiliation rules. See website https://www.sba.gov/sites/default/files/affiliation_ver_03.pdf

Independently owned franchises with under 500 employees, who are approved by SBA, are also eligible. Eligible franchises can be found through SBA's Franchise Directory.

Sole proprietors, independent contractors, gig economy workers, and self-employed individuals are all eligible for the Paycheck Protection Program.

Maximum loan amount that can borrowed?

The amount any small business is eligible to borrow is 250 percent of their average monthly payroll expenses, up to a total of \$10 million.

This amount is intended to cover 8 weeks of payroll expenses and any additional amounts for making payments towards debt obligations.

This 8 week period may be applied to any time frame [between February 15, 2020 and June 30, 2020](#). Seasonal business expenses will be measured using a 12-week period beginning February 15, 2019, or March 1, 2019, whichever the seasonal employer chooses.

How can I use the money such that the loan will be forgiven?

The amount of principal that may be forgiven is equal to the sum of expenses for payroll, and existing interest payments on mortgages, rent payments, leases, and utility service agreements.

Payroll costs include employee salaries (up to an annual rate of pay of \$100,000), hourly wages and cash tips, paid sick or medical leave, and group health insurance premiums.

If you use the Paycheck Protection Program for other business-related expenses, like inventory, you can, but that portion of the loan will not be forgiven.

When can the loan be forgiven?

The loan can be forgiven at the end of the 8-week period after you take out the loan. Borrowers will work with lenders to verify covered expenses and the proper amount of forgiveness.

Loan Period

The covered period during which expenses can be forgiven extends [from February 15, 2020 to June 30, 2020](#). Borrowers can choose which 8 weeks they want to count towards the covered period, which can start as early as February 15, 2020.

The amount of the loan that can be forgiven

The purpose of the Paycheck Protection Program is to help you retain your employees, at their current base pay.

Note the following;

If you keep all your employees, the entirety of the loan will be forgiven.

If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees.

If your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25 percent, loan forgiveness will be reduced by the same amount.

If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by [June 30, 2020](#).

Responsibility for interest on the forgiven loan amount

If the full principal of the PPP loan is forgiven, the borrower is not responsible for the interest accrued in the 8-week covered period.

The remainder of the loan that is not forgiven will operate according to the loan terms agreed upon by you and the lender.

The interest rate and terms for the loan amount that is not forgiven

The maximum terms of the loan feature a 10-year term with interest capped at 4 percent and a 100 percent loan guarantee by the SBA.

You will not have to pay any fees on the loan, and collateral requirements and personal guarantees are waived.

Loan payments will be deferred for at least six months and up to one year starting at the origination of the loan.

Terms of the loan not forgiven may differ on a case-by-case basis.

Application deadline for the Paycheck Protection Program

Applicants are eligible to apply for the PPP loan [until June 30th, 2020](#).

Is an existing Florida State Bridge Loan recipient eligible to apply for the Paycheck Protection Program?

Yes, you may take out a Florida state bridge loan and are still be eligible for the PPP loan.

Is an existing Economic Injury Disaster Loan (EIDL) COVID-19 recipient eligible for the program before the Paycheck Protection Program became available and will the recipient be able to refinance the EIDL into a PPP loan?

Yes. If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes.

However, you may not take out an EIDL and a PPP for the same purposes.

For example, a PPP forgivable loan may be used help you retain your employees, at their current base pay while an EIDL loan may be used for other business or economic recovery purposes due to its longer terms

Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan.

However if you took advantage of an earlier emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.

**[To download the Paycheck Protection Program PPP Application
Access website below](#)**

[https://home.treasury.gov/system/files/136/Paycheck-
Protection-Program-Application-3-30-2020-v3.pdf](https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf)