

UPDATED: CARES Act- Paycheck Protection Program Application

Released

April 3, 2020

The U.S. Department of the Treasury and Small Business Administration (SBA) released the application form for businesses to apply for and obtain loans under the Paycheck Protection Program. This program, established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides \$349 billion for small business loans to cover qualified payroll costs; rent; utilities; and interest on mortgage and other debt obligations.

Who can apply?

This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), non-profit 501(c)(3) organizations or 501(c)(19) veterans organizations affected by coronavirus/COVID-19.

Businesses in certain industries may have more than 500 employees if they meet the [SBA's size standards](#) for those industries.

Small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs less than 500 workers. This means each store location could be eligible.

Small businesses (and each 20% or greater owner) must certify that:

- Current economic uncertainty makes the loan request necessary to support the ongoing operations of the small business; and
- Funds will be used to retain workers and maintain payroll or make rent, utilities, and interest on mortgage payments and related documentation will be provided to the lender for the eight week period following the loan.

The loan application includes certain other standard borrower representations and certifications unrelated to coronavirus/COVID-19.

How do I Apply?

To obtain a loan, you should submit an application through an SBA- and Treasury- approved bank, credit union, or nonbank lender. You should consult with your local bank first to ask whether it is participating in the program. Additional regulated lenders will be available to make these loans once they are approved and enrolled in the program.

The SBA provided a sample application form [here](#) so that you can get a sense of the questions you will need to respond to and the information you need to gather for the lender (e.g., payroll information).

When do I Apply?

Small businesses and sole proprietorships may begin obtaining loans from participating lenders as soon as Friday, April 3, 2020.

Independent contractors and self-employed individuals can begin applying Friday, April 10, 2020.

What are the Loan Terms?

- Borrowers can borrow 2.5 times their average monthly payroll expenses for the prior year, up to \$10 million. Eligible payroll costs do not include annual compensation greater than \$100,000 for individual employees and certain other exclusions, including payments to independent contractors.

- Maturity of 2 years and an interest rate of 1.0%.
- 75% of the amount forgiven must be used to cover payroll costs. Only 25% of the forgiveness amount may be used for rent, utilities, and interest on mortgage.
- Loan payments will also be deferred for six months from date of loan.
- No collateral or personal guarantees are required.
- Neither the government nor lenders will charge small businesses any fees.
- Eligible loans will be fully forgiven (including interest accruing during the forgiveness period) upon submission of the required documentation to the lender. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels during the eight week period following the loan. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

Further updates about the Paycheck Protection Program will be provided by the SBA [here](#).

If you have any questions regarding the issues in this article, please contact Dan Stiles at dan@stiles.legal

This summary is not intended to constitute legal counsel.