



U.S. Small Business
Administration



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***Please note, information is updated almost daily
as the CARES Act authorizes SBA to create new
programs.***

This information is current as of 6/08/20.

***Please check [SBA.gov/coronavirus](https://www.sba.gov/coronavirus)
for the most up-to-date information.***



Debt Deferment & Relief

EIDL

PPP

Debt Deferment & Debt Relief

For small business affected by COVID-19

Debt Deferment

- Automatically deferring payments on **existing disaster loans** thru 12/31/20
- Existing **7(a), 504 and microloans** can be deferred – talk to your lender

SBA Debt Relief Program

- The SBA will pay the principal and interest of **new 7(a) loans, 504 loans, and microloans** issued prior to September 27, 2020
- The SBA will pay the principal and interest of **current 7(a) loans, 504 loans, and microloans** for a period of six months

Economic Injury Disaster Loan (EIDL)

What is it?

Low-interest loan for working capital to small business suffering economic injury as a result of COVID-19

- Max loan size is determined by the Office of Disaster Assistance
- Pay for financial obligations and operating expenses which could have paid had the disaster not occurred
 - Includes: Fixed expenses, rent, payroll, accounts payable, extraordinary expenses incurred due to disaster, interest payments
 - Does not include: refinancing long-term debt, tax penalty payments, expansion costs, dividends or bonuses
- Payments are deferred for a year
- Interest rates: 3.75% for small businesses, 2.75% for nonprofits
- 30 year term
- Up to \$10,000 forgivable EIDL Advance as a result of the CARES act

Economic Injury Loan Program

Updates

- Anyone who had an application number starting with “2” needs to re-apply
 - This will not impact the order in which your application will be considered
- Office of Disaster Assistance calculates the amount of an Advance by the number of pre-disaster (i.e., as of January 31, 2020) employees
 - The Advance will provide \$1,000 per employee up to a maximum of \$10,000
- The SBA disaster office is the only source for updates on submitted applications 800-659-2955
- Application portal is now open only for **agricultural businesses and businesses re-applying**

Paycheck Protection Program

- Loan provided by participating PPP lenders pay up to **24** weeks of payroll costs, including benefits
- Funds may also be used for:
 - interest on mortgage
 - rent
 - Utilities
- Max Loan size is 2.5x average monthly payroll costs (*cap: \$100,000 annualized/employee*)
 - *Step-by-step calculator for business types on the treasury website [here](#)*
- Purpose is to keep employees on the payroll or rehire quickly
- Loan will be forgiven if used for eligible payroll expenses

Paycheck Protection Program

What Expenses are Included in “Payroll Costs”?

- Salary, wages, commissions, or tips
 - These are limited to the first \$100,000 on an annualized basis per employee
- Employee benefits including costs related to leave; allowance for separation or dismissal; group health care including insurance premiums; retirement;
 - worker’s comp is not included
- State and local taxes assessed on compensation

For a sole proprietor or independent contractor: wage, commissions, income, or net earnings from self-employment, limited to the first \$100,000 on an annualized basis

Paycheck Protection Program

What expenses are not included in “Payroll Costs”?

- Salary, wages, commissions, or tips on any amount in excess of the first \$100,000 per employee
- Payments to independent contractors
 - because independent contractors have the ability to directly apply for a PPP loan
- Any compensation of an employee whose principal place of residence is outside of the United States
- Qualified sick leave wages or qualified family leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-127)

PPP Details

- Eligible applicants: All small businesses, 501c3 non-profits, Veterans organizations, Tribal concerns, sole proprietorships, self-employed individuals, and independent contractors
- Maximum loan: \$10 million
- Interest Rate: 1%
- **Term: 5 years**
- **Payment deferral for up to 16 months**
- No collateral
- No personal guarantee
- No prepayment penalty
- No loan fees to be paid by the borrower
- Find a PPP lender: <https://www.sba.gov/paycheckprotection/find>

Loan Forgiveness

Overview

- The amount eligible for debt forgiveness will be reduced when a borrower reduces its number of employees or tipped workers or the salaries or wages of employees.
- Any balance that remains after forgiveness of the loan will be repaid by the Borrower
- Borrowers must submit requests for forgiveness to the Lender no later than June 30, 2021.
- Lenders will have 60 days to approve or decline the request once received from the Borrower

State of the PPP

Updates

Loan Count	Net Dollars	Lender Count
4,531,883	\$511,382,171,979	5,458

Amount of Funding Remaining

\$130,681,819,671

The PPP program will close on June 30, 2020



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Paycheck Protection Program

On June 5th, President Trump signed the Paycheck Program Flexibility Act into law

For Paycheck Protection program loan forgiveness, detailed rule-making from the Treasury & SBA has yet to be released

PPP Flexibility Act

These modifications will implement the following important changes

- Extend the covered period for loan forgiveness from eight weeks after the date of loan disbursement to 24 weeks after the date of loan disbursement, providing substantially greater flexibility for borrowers to qualify for loan forgiveness.
 - Borrowers who have already received PPP loans retain the option to use an eight-week covered period.

PPP Flexibility Act

These modifications will implement the following important changes

Lower the requirements that 75 percent of a borrower's loan proceeds must be used for payroll costs and that 75 percent of the loan forgiveness amount must have been spent on payroll costs during the 24-week loan forgiveness covered period to 60 percent for each of these requirements

- If a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.

PPP Flexibility Act

These modifications will implement the following important changes

- Increase to five years the maturity of PPP loans that are approved by SBA (based on the date SBA assigns a loan number) on or after June 5, 2020.
- Extend the deferral period for borrower payments of principal, interest, and fees on PPP loans to the date that SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period).

PPP Flexibility Act

These modifications will implement the following important changes

- Provide a safe harbor from reductions in loan forgiveness based on reductions in full-time equivalent employees for borrowers that are unable to return to the same level of business activity the business was operating at before February 15, 2020, due to compliance with requirements or guidance issued between March 1, 2020 and December 31, 2020 by
 - the Secretary of Health and Human Services,
 - the Director of the Centers for Disease Control and Prevention, or
 - the Occupational Safety and Health Administration, related to worker or customer safety requirements related to COVID-19.

PPP Flexibility Act

These modifications will implement the following important changes

Provide a safe harbor from reductions in loan forgiveness based on reductions in full-time equivalent employees, to provide protections for borrowers that are both unable to rehire individuals who were employees of the borrower on February 15, 2020, and unable to hire similarly qualified employees for unfilled positions by December 31, 2020.

PPP Flexibility Act

Continued

In addition, the new rules will confirm that June 30, 2020, remains the last date on which a PPP loan application can be approved.

What is the general process to obtain loan forgiveness?

From the IFR

- To receive loan forgiveness, a borrower must complete and submit a Loan Forgiveness Application to your lender (or the lender servicing its loan).
- As a general matter, the lender will review the application and make a decision regarding loan forgiveness.
- The lender is responsible for notifying the borrower of the forgiveness amount.
- The lender has 60 days from receipt of a complete application to issue a decision to SBA.
- If only a portion of the loan is forgiven, or if the forgiveness request is denied, any remaining balance due on the loan must be repaid by the borrower on or before the two-year maturity of the loan.

Loan forgiveness application

To be released

Due to new legislation in congress, the loan forgiveness application that was released in May will be undergoing a revision. As of the date of this presentation a new application has not yet been released. Please do not use the old application at this time.

Loan Forgiveness Reduction

Re-hiring and exemptions from forgiveness reductions

In general, a reduction in FTE employees during the covered period or the alternative payroll covered period reduces the loan forgiveness amount by the same percentage as the percentage reduction in FTE employees

1. The borrower will select a reference period
 - February 15, 2019 through June 30, 2019;
 - January 1, 2020 through February 29, 2020
 - (seasonal businesses) A consecutive 12-week period between May 1, 2019 and September 15, 2019
2. If the average number of FTE employees after the 8 or 24 week period is less than during the reference period, the total eligible expenses available for forgiveness is reduced proportionally by the percentage reduction in FTE employees.

Loan Forgiveness Reduction exemptions

Re-hiring and exemptions from forgiveness reductions

Employees whom the borrower offered to rehire are generally exempt from the CARES Act's loan forgiveness reduction calculation.

1. The borrower made a good faith, written offer to rehire or restore hours during a covered period
2. The offer was for the same salary or wages and same number of hours as earned by such employee in the last pay period prior to the separation or reduction in hours
3. The offer was rejected by such employee
4. The borrower has maintained records documenting the offer and its rejection
5. The borrower informed the applicable state unemployment insurance office of such employee's rejected offer

More Loan Forgiveness Reduction exemptions – stay tuned

Re-hiring and exemptions from forgiveness reductions

There will be exemptions offered to employers for any reductions in full-time equivalent employees if you are unable to return to the same level of business activity that you were at before February 15, 2020, due to compliance with requirements or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to worker or customer safety requirements related to COVID-19.

More Loan Forgiveness Reduction exemptions – stay tuned

Re-hiring and exemptions from forgiveness reductions

There will be exemptions offered to employers for any reductions in full-time equivalent employees for borrowers that are both unable to rehire individuals who were employees of the borrower on February 15, 2020, and unable to hire similarly qualified employees for unfilled positions by December 31, 2020.

Loan Forgiveness FAQs

Updates

Q: Can I make advance payments or pre-pay expenses that I expect to be incurring?

A: No

Q: What if my billing or payroll dates fall just outside of the 24 week window?

A: There are allowances for flexibility on this if your payroll cycle is biweekly or more frequent, but the cost has to be incurred during the 8 week period. Payroll costs are considered incurred on the day the employee's pay is earned. If employees are not working, it is on the schedule established by the borrower.

Loan Forgiveness FAQs

Re-hiring and exemptions from forgiveness reductions

Q: What if my rent, utility, or mortgage payments are normally due just outside of the 24 week period?

A: There are allowances for flexibility on this. Nonpayroll costs can be incurred and paid on or before the next regular billing date, even if the billing date is after the 24 week period.

Q: Are salary, wages, or commission payments to furloughed employees; bonuses; or hazard pay during the covered period eligible for loan forgiveness?

A: Yes, as long as they do not exceed an annual salary of \$100,000, as prorated for the covered period

Loan Forgiveness FAQs

Re-hiring and exemptions from forgiveness reductions

Q: What if I cannot run my business right now, partially or fully?

A: PPP funds are expected to be used regardless of a borrower's ability to have their business open.

Q: Can I hire new staff using PPP funds?

A: Yes you may.

Q: Will a borrower's loan forgiveness amount be reduced if an employee is fired for cause, voluntarily resigns, or voluntarily requests a schedule reduction?

A: No. The Administrator and the Secretary have decided to exempt such employees from the calculation of the FTE reduction penalty, provided that records are maintained.

Additional Support

- Small Business Development Center network has received additional funding to support business owners with recovery, applications, and assistance. ASKSBDC.com, 1-833-ASK-SBDC or loans@asksbdc.org
- Women's Business Center has received additional funding for Coronavirus response and recovery
- SCORE Chapters are providing virtual mentoring and support to business owners as well.
- State of California Programs to support business owners are launching and being updated frequently – business.ca.gov/coronavirus
- Keep an eye on your local jurisdictions and foundations



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