



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 5/28/20.***

***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 8 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 payroll expenses
  - not more than 25% of costs may be for mortgage interest, rent/utilities.

# 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: 2 years
- Payment deferral for 6 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>

# 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
- Taxes imposed or withheld
- 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)

# 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

# What is the general process to obtain loan forgiveness?

## From the IFR

- To receive loan forgiveness, a borrower must complete and submit the Loan Forgiveness Application (SBA Form 3508 or lender equivalent) to its 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 has 60 days from receipt of a complete application to issue a decision to SBA.

# SBA released a PPP loan Forgiveness Application

## Updates

A forgiveness application has now been released at [sba.gov/ppp](https://sba.gov/ppp). Borrowers will still need to work with their lenders. This form is only a sample for review purposes.

### LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

To apply for forgiveness of your Paycheck Protection Program (PPP) loan, you (the Borrower) must complete this application as directed in these instructions, and **submit it to your Lender** (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender.

This application has the following components: (1) the PPP Loan Forgiveness Calculation Form; (2) PPP Schedule A; (3) the PPP Schedule A Worksheet; and (4) the (optional) PPP Borrower Demographic Information Form. All Borrowers must submit (1) and (2) to their Lender.

# 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-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

## 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

# 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 8 week window?

**A:** There are allowances for flexibility on this, but the cost has to be incurred during the 8 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](mailto: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](https://business.ca.gov/coronavirus)
- Keep an eye on your local jurisdictions and foundations



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