

Frequently Asked Questions

Paycheck Protection Program (PPP)

1. Question: What is the Paycheck Protection Program (PPP)?

Answer: PPP is a forgivable loan from your business's banking institution for an amount equal to your business's typical 2-1/2 weeks' payroll. The loan may only be used to pay payroll, business rent/mortgage interest, or utilities – and nothing else. If after 8 weeks you can show your lender that at least 75% of the loan was indeed used for payroll and not more than 25% was used for the other authorized purposes, the loan is forgiven by the lender. If any of the loan is not forgiven (e.g., because you used more than 25% of the loan for the non-payroll purposes), the repayment is based on 1% interest, 2-year term, first payment deferred for 6 months. Neither collateral nor personal guaranties are required, and there is no means ("inability to get credit elsewhere") test to qualify.

2. Question: Am I eligible for the Paycheck Protection Program?

Answer: PPP loans will be made to:

- a. Individuals in business** – sole proprietorships, independent contractors, or self-employed in business as of 2/15/2020.
- b. Business entities** – as well as 501(c)(3) nonprofits, 501(c)(19) veteran organizations, and tribal business concerns – in operation as of 2/15/2020 that:
 - i. were paying either employees or 1099 independent contractors as of 2/15/2020
 - ii. have 500 or less employees who reside in the US (though there is a special provision to allow lodging, food service, and franchise businesses to qualify based on # of employees *per location* according to the SBA web site) – **or** businesses with more than 500 employees who nevertheless meet the SBA size standard for their industry sector - <https://www.sba.gov/document/support--table-size-standards>.

3. Question: What can the loan be used for?

Answer: The loan is **only** to be used for the following:

- a. $\geq 75\%$ of loan proceeds must be used to pay payroll** and health care benefits for employees whose principal residence is in the US (including to re-hire recently laid-off employees). **Note that 75% of the PPP loan size (i.e., equal to 2.5 months' payroll) equates to 8 weeks of payroll. The intent of the PPP loan is to supply forgivable financing sufficient to cover at least 8 weeks of payroll during the disruption of operations caused by coronavirus.**
 - i. If applicable:* An added amount will be loaned to refinance any EIDL loan received between 1/31/2020 and 4/3/2020 that was used for payroll costs. This amount will be counted as part of the required $\geq 75\%$ payroll use.
- b. $\leq 25\%$ of loan proceeds may be used for:**
 - i. interest (but not principal or prepayments) on mortgages and other debt obligations incurred before 2/15/2020

Please note that questions have been answered based on the correspondence from the U.S. Small Business Administration Export Finance Director West and the SBA website on 4/10/20. For latest updates, please contact the Sacramento MBDA Export Center staff

- ii. rent due on leases in place before 2/15/2020
- iii. utility services in place before 2/15/2020
- c. **No other use of funds is allowed.** If you use PPP for any other purposes, you will be required to pay back the unauthorized amount. Knowingly using PPP funds for unauthorized purposes will subject the business and its owners to liability and possibly fraud charges.

4. Question: How do I make sure the loan is forgiven?

Answer: Navigating loan forgiveness

- a. 8 weeks after the PPP loan is made, the business provides documentation to their lender verifying the # of employees on their payroll and how the PPP loan funds were used.
- b. All or part of the loan (principal and interest) may be forgiven. The amount will depend on how the PPP loan funds are used, with payroll being the primary use that leads to debt forgiveness.
- c. Not more than 25% of debt forgiveness may be given when the loan is used for mortgage interest, rent, and/or utilities.

5. Question: Where do I apply for the PPP?

Answer: The best place to go for a PPP loan is your existing business banking institution. Wells Fargo customers will be happy to know that the cap that had limited their participation has been lifted –

<https://www.federalreserve.gov/newsevents/pressreleases/enforcement20200408a.htm>. If your main business bank is offering PPP loans, do you have any other business banking relationships? That might be the best alternative. Otherwise, here is a link to lenders eligible to offer PPP – <https://www.sba.gov/paycheckprotection/find>.

Economic Injury Disaster Loan (EIDL) applicants:

6. Question: What is the Economic Injury Disaster Loan?

Answer: EIDL is a direct loan from SBA for lost revenue/gross profit due to the COVID disruption of your normal operations. The loan amount is set by SBA based on an estimate of lost cash flow due to the disruption. The EIDL loan is used for business working capital needs not covered by PPP. The repayment is based on 3.75% interest (2.75% interest for nonprofits), up to 30-year term, with the first payment deferred for 12 months. The program's collateral, personal guarantee, and "credit elsewhere" requirements have been loosened substantially. There's no cost to apply and no obligation to take the loan if offered.

7. Question: We've filed EIDL when the program rolled out and have yet to hear back or receive an email update. Should I re-submit again?

Answer: If you submitted an EIDL application prior to March 30, unless you have already been

The answers on this document are not legal advice, please contact your lender for the most up to date guidance on the SBA programs.

Please note that questions have been answered based on the correspondence from the U.S. Small Business Administration Export Finance Director West and the SBA website on 4/10/20. For latest updates, please contact the Sacramento MBDA Export Center staff

approved or are currently working with a loan officer, you should [re-apply using the new streamlined application](#) portal – <https://covid19relief.sba.gov/#/> – if you have not done so already. The new application is streamlined and faster. Approval notification is estimated at approximately three days.

If you just want to know the status of your application or if you have EIDL questions: Call the SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov.

8. Question: What is the Economic Injury Disaster Loan Advance?

Answer: The EIDL program added a new feature as of 3/30 – the opportunity for a \$10,000 advance on the EIDL loan which will not have to be repaid. The EIDL Advance may be available even if your EIDL application was declined or is still pending. The opportunity to apply for an EIDL Advance has been offered since 3/30 as part of the online application process. But if you applied for EIDL before 3/30, you need to apply again asking for the Advance. Applying for the Advance will not impact the status or slow your existing application. Your applications are being processed on a first-come-first-serve basis, and when you are asked to update your application you will not lose your position in the application queue.

9. Question: If I am applying for / received an Economic Injury Disaster Loan, is my small business eligible to participate in the Paycheck Protection Program?

Answer: Borrowers can apply for both an SBA Economic Injury Disaster Loan and the Paycheck Protection Program loan. However, the Paycheck Protection Program loan funds and the Economic Injury Disaster Loan funds cannot be used for the same purpose. The Paycheck Protection Program loan must be used for payroll (minimum of 75% of the funds received) for it to be eligible for a forgivable loan and the remaining is used for different purposes. Borrowers who accept both loan funds should document the uses of the funds appropriately.

10. Question: For businesses who are ineligible for the current SBA programs. Are there any programs to provide support to these businesses?

Answer: Governor Newsom announced that California is putting \$50 million toward micro-loans for businesses that might not be eligible for SBA loans for the Paycheck Protection Program. The new "micro-lending" program will be operated through the IBank. Learn more at <https://www.ibank.ca.gov/small-business-finance-center/>

The answers on this document are not legal advice, please contact your lender for the most up to date guidance on the SBA programs.