

# PAYCHECK PROTECTION PROGRAM

Coronavirus Emergency Loans: Fact Sheet



## THE PROGRAM

The Paycheck Protection Program (PPP) authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. *All loan terms will be the same for everyone.*

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***Here's an overview of the program and what you need to know.***

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### WHAT IS THE PAYCHECK PROTECTION PROGRAM?

The Paycheck Protection Program is a loan from the Small Business Administration (SBA), disbursed by Archer Credit Union, for the purpose of funding payroll, rent, utilities, or interest on mortgage/debt payments. The loan is eligible to be mostly, if not entirely, forgiven.

The program is available until June 30, 2020.

### WHO IS ELIGIBLE TO APPLY?

- Small businesses with fewer than 500 employees
- Small businesses that otherwise meet the [SBA's size standard](#)
- Non-profit organizations with fewer than 500 employees
- Sole Proprietorships
- Self-employed individuals
- Independent contractors
- Tribal business concern that meets the [SBA's size standard](#)
- Veterans organizations that meet [SBA's size standard](#)
- Small businesses in the hotel and food services industries
- Franchises that are in the [SBA's Franchise Directory](#)

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### HOW MUCH CAN I APPLY FOR?

***Loans can be up to 2.5x the borrower's average monthly payroll costs, not to exceed \$10 million.***

Figured using monthly expenses dating back one year from the date of the loan origination. For example: payroll expenses from April 2019 to April 2020.

### WHAT CAN THE FUNDS BE USED FOR?

- Payroll costs (including benefits)
- Interest on mortgage obligations (incurred before February 15, 2020)
- Rent, under lease agreements in force before February 15, 2020
- Utilities, for which service began before February 15, 2020

### WHAT CAN I START WORKING ON?

***SBA came out with updated guidance on 3.31.20, the borrower will be asked to provide:***

- A completed [Paycheck Protection Program Application](#)
- A completed [Average Payroll Costs Worksheet](#)
- Supporting Payroll Documentation showing how you arrived at your monthly average payroll
- Personal and Corporate [SBA Financial Statement](#)
- Payroll Tax Filings for 2019
- Tax Returns (2 years)

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### HOW CAN I GET MY PPP LOAN FORGIVEN?

***A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan.***

- Payroll Costs
- Interest on their mortgage obligation
- Rent on a leasing agreement
- Payments on covered utilities (gas, electric, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees.

***Loan forgiveness cannot exceed the principal amount of the loan.***

***Due to likely high subscription, it is anticipated that 75% of the forgiven amount must be used for payroll.***

### ***How might my forgiveness amount be reduced?***

- If there is a reduction in the number of employees
- If there is a reduction of greater than 25% in wages paid to employees
- If your average number of Full Time Equivalent Employees in 2019 is higher than your average number of FTE Employees in 2020 - your forgiveness will be reduced by the percentage difference.
- The maximum any individual employee can be paid is \$100,000 annual salary at a prorated amount for the covered period.

### ***What if I bring back my employees or restore wages?***

You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between 2/15/20 and 4/26/20.

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### WHAT ARE THE TERMS FOR THIS LOAN?

***Payments will be deferred for 6 months from the date of loan origination, but interest will continue to accrue.***

***Any loan balance not forgiven will be termed out for 2 years at 0.50% APR***

#### ***Other terms:***

- No credit elsewhere test required
- No personal guarantee required
- No collateral required
- No prepayment penalties

#### ***As part of your Application, you need to certify in good faith that:***

- Your business was in operation on 2/15/2020
- Current economic uncertainty makes the loan necessary to support your ongoing operations
- You have not and will not receive another loan under this program
- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the 8 weeks after getting this loan.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submit. You affirm the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including reps of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan program requirements and all SBA reviews.

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### DEFINITIONS

***Payroll Costs:*** Use this definition to find payroll costs included in finding your loan maximum:

Sum of payments of any compensation with respect to employees, including:

- Salary, wage, commission, or similar compensation
- Payment of cash tips or equivalent
- Payment for vacation, parental, family, medical or sick leave
- Allowance for dismissal or separation
- Payment of any retirement benefit
- Payment of state or local tax assessed on compensation of employees

Sum of payments of any compensation or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation

- Cannot exceed more than \$100,000 in 1 year - prorated for the covered period

### ***Payroll Costs DO NOT INCLUDE:***

- Compensation of individual in excess of annual salary of \$100M, prorated for covered period
- Taxes imposed or withheld under Chapter 21, 22, or 24 of IRS Code
- Any compensation to individuals who live outside of the US
- Qualified sick and family leave wages for which a credit is allowed under Families First Coronavirus

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### *How can I figure out my estimated loan amount for my business?*

#### ***Non-Seasonal Employers:***

2.5x Average Monthly Payroll costs incurred during the year prior to the loan date.

- Example: if a loan date is estimated to be April, track monthly payroll costs starting April 2019.

#### ***Seasonal Employers:***

2.5x Average total monthly payments for payroll costs for the 12 week period beginning 12/15/19 or 3/1/19 (decided by the applicant) and ending 6/30/19.

#### ***For businesses not operational in 2019:***

2.5x Average total monthly payroll costs incurred for January and February 2020.

## OTHER DEFINITIONS

***Employee:*** full time or part time employees.

***Covered mortgage obligation:*** any indebtedness or debt instrument incurred in the ordinary course of business that is a liability of the borrower, is a mortgage on real or personal property, was incurred before 2.15.20.

***Covered period of forgiveness:*** 8-week period beginning date of origination of a covered loan.

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***Covered rent obligation:*** rent obligated under leasing agreement in force before 2.15.20.

***Covered utility payment:*** payment for electricity, gas, water, transportation, telephone, or internet access for which service began before 2.15.20.

***Expected forgiveness amount:*** amount of principal a lender reasonably expects a borrower to expend during the covered 8-week period on the sum of any payroll costs; payments of interest on any covered mortgage obligation, payments on covered rent obligation, covered utility payments.

# WHAT'S NEXT?

**FOR MORE GUIDANCE  
AND RESOURCES, VISIT  
US ONLINE AT:**

[archerccu.com/  
sba-loan-options](https://archerccu.com/sba-loan-options)



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