

Paycheck Protection Program – Section 1102

The bill establishes a new guaranteed loan program at SBA for small businesses to cover payroll during the immediate crisis. The Paycheck Protection Program would:

- Support \$349 billion in 100 percent guaranteed, low interest, no fee loans of up to \$10 million with repayment deferred for at least six months; and
- Forgive up to 100% of the loan if the borrower has retained the same number of employees as when they received the loan.

Who is eligible?

Small and Medium sized businesses up to 500 employees, non-profits, independent contractors and the self-employed. This includes churches but only to cover payroll costs of an associated business, like a thrift store.

What about franchises and hotels?

The program temporarily waives SBA “affiliation rules” to allow businesses with multiple locations the normally are not considered small, to qualify. This is especially important for our restaurant and lodging sector. They are still limited to the same maximum loan size - \$10 million - as a business with one location.

How are loans made?

The SBA’s network of 2,500 7(a) lenders will be used to process these loans. There is also authority to fast track additional lenders to process and disburse these loans to reach as many small businesses as quickly as possible.

Are these grants?

Yes and No. The amount of the loan forgiven at the end of the year will be determined by how many employees were retained on the company’s payroll, up to 100 percent for full retention. There are safeguards built in to protect against employers gaming the program, as well as recognizing some employers will be forced to do temporary furloughs but bring their employees back on.

What is covered?

This bill allows firms to get a loan to cover up to 2.5 months of payroll and any new EIDL loan balances incurred because of Coronavirus but cannot exceed \$10 million.

How long does the program last?

The program is open until June 30, 2020, as it is intended for immediate payroll relief to ensure businesses do not do mass layoffs during this crisis.