

CARES Act

Frequently Asked Questions

What types of businesses and entities are eligible for a PPP loan?

- Business must have been in operation on February 15, 2020
- 500 or fewer employees
- Sole proprietors, independent contractors, and self-employed individuals
- Accommodation and food service businesses with 500 or fewer employees per physical location
- Affiliation rules are waived for franchises

What are the qualifications for a PPP loan?

(Additional guidance is coming from SBA and Treasury).

The business must show:

- It was in business as of February 15, 2020
- It has 500 or fewer employees
- It has employees for whom the business paid salaries and payroll taxes, or paid independent contractors as reported on Form 1099-MISC

And certify:

- That the uncertainty of the current economic conditions makes the loan request necessary
- That funds will be used to retain workers and maintain payroll and/or make mortgage payments, lease payments, and utility payments
- That they do not have a current PPP application or an EIDL application for the same purpose
- That from Feb 15, 2020 and December 31, 2020, they did not receive a PPP loan or EIDL for the same purpose.

What are affiliation rules?

Affiliation rules are used to determine whether a business is a "small business." Generally, affiliation exists when one business controls or has the power to control another business. Additional information can be found here.

How are loan sizes determined?

The maximum loan size is \$10 million. Depending on the business' situation, the loan's size is determined on:

- If the business was in operation on February 15, 2019, to June 30, 2019:
 - Max loan size is equal to 2.5 times the average monthly payroll costs during the 12-month period prior to the loan being made.
- If the business was not in operation on February 15, 2019, to June 30, 2019:

- Max loan size is equal to 2.5 times the average monthly payroll costs between January 1, 2020, and February 29, 2020.
- If the business is seasonal:
 - The business may use average monthly payroll costs between February 1, 2019, and June 30, 2019, or March 1, 2019, and June 30, 2019.
- If the business took out an Economic Injury Disaster Loan (EIDL) from January 31, 2020, and the date of the loan, the outstanding amount can be refinanced into a PPP.

What costs are eligible for the payroll cost calculation?

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of State or local tax assessed on the compensation of employees

What costs are not eligible for the payroll cost calculation?

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under Chapters 21, 22, and 24 of the IRS Code
- Compensation of employees whose principal place of residence is outside of the US
- Qualified sick and family leave for which a credit is allowed under the Families First Coronavirus Response Act

What are allowable uses of the loan proceeds?

- Payroll costs as detailed above (see "what costs are eligible for the payroll cost calculation")
- Costs related to the continuation of group health care benefits during periods of sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent
- Utilities
- Interest on any other debt obligations that were incurred before February 15, 2020

Heartland

What are the loan terms, interest rates, and fees?

- Maximum loan term is 2 years
- Maximum interest rate is 1%
- Zero loan fees
- Zero prepayment fees (SBA will establish application fee cap for lenders that charge application fees)

How is the loan forgiveness amount calculated?

Forgiveness is equal to the sum of the following costs incurred and payments made during the 8-week period beginning on the origination date of the loan - but may be reduced proportionally should employees or wages be reduced in certain circumstances.

- Payroll costs (as detailed above) plus
- Any payment of interest on a covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) plus
- Any payment on any covered rent obligation plus
- Any covered utility payment

Due to likely high subscriptions, it is anticipated that no more than 25% of the forgiven amount may be for non-payroll costs.

*The forgiveness amount may not exceed the principal amount of the PPP loan.

The forgiveness amount may be reduced based on the reduction in the number of employees:

- Payroll cost x average # of full-time employees (FTEs) per month for the 8-week period:
 1. Average # of FTEs per month from February 15, 2019, to June 30, 2019OR
 2. Average # of FTEs per month from January 1, 2020, to February 29, 2020OR (if seasonal employer),
 3. Average # of FTEs per month from February 15, 2019, to June 30, 2019

It may also be reduced based on the reduction in salaries:

- Payroll cost – the amount of reduction in wages that is greater than 25% compared to their most recent full quarter.

What if the business brings back employees or restores wages?

- If a business laid off or reduced payroll beginning February 15, 2020, the business may eliminate the forgiveness reduction if the business rehires the laid-off employees or restores payroll amount by June 30, 2020.

How does a business get forgiveness on their PPP loan?

Businesses must apply through the lender for forgiveness. In the application, the business must include:

- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll, and unemployment insurance filings
- Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities
- Certification from a representative of the business that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in per program's guidelines for use.

What happens after the forgiveness period?

Any loan amounts not forgiven will continue with max loan terms of 10 years, and max interest rate of 4%. Principal and interest will continue to be deferred, for a total of 6 months and up to 12 months after disbursement of the loan.

Can a business get more than one PPP loan?

No. Each loan is registered under the Taxpayer Identification Number at the SBA to prevent multiple loans to the same entity.

How does the PPP loan coordinate with SBA's existing loans?

Businesses may apply for PPP loans and other SBA loans, including EIDL, 7(a), 504, and microloans. However, a business CANNOT use a PPP loan for the same purpose as other SBA loans. For example, if a business uses a PPP to cover payroll for the 8-week period, the business cannot use a different SBA loan for payroll in that same period. A business may use the other loan product/s for payroll at a different time period.

How does the PPP loan work with the temporary Emergency Economic Injury Grants (EEIG)?

Emergency Economic Injury Grant (EEIG) and Emergency Injury Disaster Loan (EIDL) recipients may apply for and take out a PPP loan as long as there are no duplications in the uses of funds. See more below.

Can a business get a PPP loan if it has other loans (including non-SBA loans)?

Yes. The typical SBA requirement that a business show it is unable to obtain a loan elsewhere, is waived. Having additional loans does not preclude the business from obtaining a PPP loan.