Paycheck Protection Program – What Businesses Need to Know

The $2 trillion federal stimulus bill – known as the CARES Act – included $349 billion for job retention and business operating expenses in the Paycheck Protection Program.

As part of our “Too Local To Fail” effort, we want to help Minnesota small businesses be ready to apply for these funds. Here’s information about the program.

**What is the Paycheck Protection Program?**
The Paycheck Protection Program is designed to provide a direct incentive for small businesses to keep their workers on payroll by providing each small business a loan of up to $10 million for payroll and certain other expenses. If all employees are kept on payroll for eight weeks, SBA will forgive the portion of the loans used for payroll, rent, mortgage interest, or utilities. Up to 100 percent of the loan is forgivable.

**Who is eligible?**
Businesses – including eligible non-profits, Veterans organizations, Tribal entities, sole proprietorships, self-employed individuals, and independent contractors described in the Small Business Act – with 500 or fewer employees may apply.

Businesses in certain industries may have more than 500 employees if they meet the SBA’s size standards for those industries. If you are in the food service business, the 500-employee cap is applied on a per-physical-location basis, according to the U.S. Chamber of Commerce. To receive a loan, your company must have been in business as of Feb. 15.

**How much money can my business receive through the new loan program?**
The Paycheck Protection Program provides small business loans of up to $10 million to cover payroll and certain other expenses. Other SBA loan programs, including the federal disaster relief program, offer smaller loans.

**What time period is covered by Paycheck Protection Program loans?**
The new loans apply to costs incurred retroactive to Feb. 15 through June 30.

**How will the loan forgiveness work?**
The act includes loan forgiveness for companies able to keep employees on payroll or continue paying bills throughout the coronavirus crisis. The amount of loan forgiveness includes payroll costs for individuals below $100,000 in annual income, mortgage and rent obligations, including interest and utility payments. The total amount will be reduced if your workforce is drawn down through attrition or if wages are reduced. If you are forced to lay off employees because of economic conditions, you may be able to preserve some of your loan guarantee by hiring them back.

Eligibility for loan forgiveness starts eight weeks after the loan origination date. There is a maximum 10-year maturity after application for loan forgiveness.

**What’s the interest rate?**
The maximum interest rate for the Paycheck Protection Program is 4%.

**Where do I apply?**
The Small Business Administration has a network of 1,800 approved lenders that process small business loans. If you are interested in a Paycheck Protection Program loan, you should contact your bank to see if it is an SBA-approved lender.