



COVID-19 | CARES Act | SBA Payment Protection Program

Posted by Gene Hicks on April 3, 2020

I. Is my business eligible to participate?

You're eligible if you are:

- A business with less than 500 employees (full-time, part-time and any other status);
- A 501(c)(19) Veterans Organization, a tribal business or other small business that otherwise meets the SBA's size standard;
- A 501(c)(3) with fewer than 500 employees; or
- An individual who operates as a sole proprietor, independent contract, or is self-employed and carries on any trade or business.

II. How does the borrowing process work?

Financial institutions will be partnering with the SBA to administer the program. You'll need to work with your bank to help you get the funding for which you are eligible.

In accordance with the program's requirements, you will be asked to provide a good faith certification demonstrating that you:

- Have ongoing operations impacted by the current economic environment resulting from the COVID-19 pandemic;
- Will use the loan proceeds to retain workers and/or maintain payroll or make mortgage, lease, and utility payments;
- Don't have any other application pending for a loan for the same purpose and amounts as applied for here; and
- Have not received another loan between February 15, 2020 to December 31, 2020, for the same purpose and amount as applied for here.

Independent contractors, sole proprietors, and self-employed individuals will need to provide certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

There are no individual guarantees or collateral required for these loans.

III. How much can I borrow?

You can borrow up to 2.5x average monthly payroll, excluding individual employee compensation above \$100,000 per year, but the maximum loan amount is capped at \$10,000,000 per borrower.

IV. How may I use the proceeds of the loan?

In addition to uses already allowed under the SBA's Business Loan Program, the loan may be used to cover the following expenses:

- Payroll costs;
- Employee Salaries;
- Group health care benefits;
- Mortgage Interest (principal excluded);
- Rent and Utilities; and/or
- Interest on any other debt incurred before February 15, 2020.

V. Are the loans forgiven?

Borrowers are eligible for loan forgiveness in an amount equal to the following amounts documented during the eight-week period after loan origination: payroll costs, interest on mortgage obligations (no principal or prepayment), rent and utility payments. The forgiven amount cannot exceed the principal amount of the covered loan. The amount forgiven may be reduced if you haven't retained all employees or there is a reduction in pay for retained employees.

VI. Are there other loan products available?

The SBA has other lending solutions that may be a better fit for you. If you are in immediate need of liquidity, the SBA has a disaster relief loan product that is available on the SBA website. You can contact your banker about other options that may be available to you.

Authored By



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