



## How to Get a Small Business Loan Under the \$349 Billion Aid Bill

The recently passed \$2 trillion coronavirus aid package includes nearly \$350 billion for small business loans. Here's how small businesses can receive assistance.

The \$2 trillion federal coronavirus relief package signed last week, officially known as the CARES Act, includes nearly \$350 billion for a small business loan program called the *Paycheck Protection Program*.

The program is designed to get cash into the hands of suffering small businesses quickly, with less red tape and fewer guardrails than the Small Business Administration's (SBA) existing loan programs. It is designed to incentivize business owners to keep employees on the payroll by offering them loan forgiveness.

**The new loan program is separate from existing federal loan programs, including the Small Business Administration's disaster relief loans.**

To learn about the SBA's other relief programs, visit the [SBA's covid-19 resource center](#).


Here are the [details on how small-business owners](#) can access the new federal Paycheck Protection Program.

### ***Q: How do I apply for a small business loan through the Paycheck Protection Program?***

**A:** The [application](#) has been posted on the Treasury Department's CARES Act [resource page](#) as of March 31, 2020. After you gather the information described on the application form you should contact your bank or an approved lending institution to start the application process.

The SBA has a network of at least 1,800 approved lenders that process small business loans and intends to add more of them. If your bank is not an SBA-approved lender or you don't have an existing banking relationship, you can contact the [SBA to find one](#). Administration officials say the SBA is working on a geo-coded web page where you can view approved lenders near you, but as of March 31, 2020 the web page was not live.

It is expected that most borrowers will be able to apply online through an approved financial institution, a senior administration official speaking on the condition of anonymity said Tuesday, March 31, 2020. If you are contacting a lender for the first time



the loans are expected to be handled on a first-come-first-serve basis, one senior administration official said Tuesday.

**Q: *When will the new funding be made available to small businesses?***

**A:** Treasury Secretary Steven Mnuchin said Monday, March 20, 2020 that small business loans will be made available starting Friday, April 3, 2020. That goal was again confirmed by SBA officials as of Wednesday morning. Detailed application guidelines are also available on the Small Business Administration's [website](#).

The initial rush of applications will be limited to small businesses and non-profits, SBA administrator Steve Bulger said in an interview Wednesday morning. Loans for sole proprietors and independent contractors will see at least one week of delay.

Mnuchin and other administration officials say they are setting up a system in which borrowers will be able to receive funds on the same day they submit an application. Since the initial steps of the approval process will be handled entirely by the lender, there is no separate review being conducted by the SBA.

“The application has been really stripped down from what we normally use in the SBA,” a senior administration official said Tuesday.

Here's what you [need to know about paying your rent or mortgage](#) during the pandemic.

Even with the SBA's review out of the way, same-day approvals will still be a challenge. The fastest bank loan applications usually incorporate a 1-week review.

**Q: *What costs will the new loans cover?***

**A:** The new loans will cover payroll costs and employee benefits, mortgage interest incurred before February 15, 2020, rent and utilities under lease agreements in force before February 15, 2020, and utilities for which the service began before February 2020.

Payroll costs include salary wages, commissions and tips capped at \$100,000 for each employee. It also includes benefits for vacation, parental leave, medical leave, sick leave, some other limited benefit categories. In some cases, they also can cover interest on other debts.

**Q: *How do I prove that my losses are because of coronavirus?***

**A:** The new loans are available to any business for which “current economic uncertainty makes the loan necessary to support your ongoing operations,” according to [an SBA fact sheet](#) published Tuesday. Approved lenders will make a determination of need for your business based on SBA guidelines, but without a separate SBA review.

The SBA is preparing to publish specific regulations that might better define eligibility requirements. That regulation is expected to be finalized in the next few days, regional SBA administrator Steve Bulger said Wednesday morning.



***Q: Which businesses qualify under the Paycheck Protection Program?***

**A:** Small businesses, nonprofits, tribal business concerns that meet the SBA's standard business size definition, and veterans' organizations organized under 501(c)(19) with fewer than 500 employees are eligible for loans under the program. Self-employed individuals, independent contractors, and sole proprietors also are eligible. To receive a loan, your company must have been in business as of Feb. 15, 2020.

It is yet to be determined whether churches and other faith-based organizations qualify for loans under the nonprofit category, regional SBA administrator Steve Bulger said Wednesday.

There are criminal penalties of up to \$1 million for submitting fraudulent information to a federally insured lender.

***Q: I work as a sole proprietor or independent contractor. Can I receive a loan through the Paycheck Protection Program?***

**A:** Yes. The law specifically provides for sole proprietors and independent contractors. SBA administrator Steve Bulger said Wednesday morning that loans for independent contractors are likely to be made available one week after the other small business loans, which would translate to a start date of April 10, 2020 for those loans.

***Q: Is there a Coronavirus stimulus check calculator?***

**A:** Yes, it can be found [here](#).

The SBA is working on a detailed regulation that will define how independent contractors should apply for loans, including whether their company should count them in its employee totals on loan applications. That regulation is also expected to address the status of 1099 employees and part-time employees. That regulation is expected to be finalized in the next few days, Bulger said Wednesday morning.

***Q: I run a small partnerships or S-corporations. Am I eligible?***


**A:** The SBA is working on a detailed regulation set guidance for these businesses, expected to publish by Friday April 3, 2020 one SBA official said Wednesday.

***Q: How much money can my business receive through the new loan program?***

**A:** The Paycheck Protection Program provides small business loans of up to \$10 million to cover payroll and certain other expenses, or 2.5 times your total payroll expenses for the loan period. Other SBA loan programs, including the federal disaster relief program, offer much smaller loans.

***Q: What sort of thing could disqualify me?***

**A:** The application includes a long list of potential disqualifying factors. You cannot receive a paycheck protection program loan if your business or any of its owners have previously been suspended, debarred, proposed for debarment, declared ineligible, or



were voluntarily excluded from the loan program by a federal agency, or are presently involved in any bankruptcy.

You will be excluded from the program if you have ever taken a loan from the SBA that subsequently caused a loss to the government, is currently delinquent, or resulted in default. The application also excludes businesses in which any 20 percent owner is an individual who is currently subject to criminal charges, or who has previously been convicted or otherwise punished for a crime against a minor.

***Q: What information should I prepare?***

**A:** You will be asked to provide basic identifying information for your business, your business TIN number, your average monthly payroll, the number of jobs supported by your company and what specifically how you will use the loan money. You will also be asked to list all owners who hold at least a 20 percent ownership stake in the company and affirm that they are not party to federal crimes.

You will also be asked to provide the lender with documentation regarding your employee headcount over time as well as your payroll costs. [Click here for the application form.](#)

***Q: What time period is covered by Paycheck Protection Program loans?***

**A:** The new loans apply to costs incurred from Feb. 15, 2020 - June 30, 2020.

***Q: What's the interest rate?***

**A:** The Treasury Department is initially setting the loan rate at 0.5%. However, the CARES Act caps the interest rate for the Paycheck Protection Program at 4%, so it is possible the interest rate could increase.

***Q: What will the payment schedule look like?***


**A:** The first payment will be due after six months and the full loan will be due after two years, according to SBA informational materials.

***Q: It looks like there are a lot of different federal loan programs. Can my business receive funding through more than one?***

**A:** Yes. Businesses that have pending or existing SBA disaster assistance loans can still receive funding through the Paycheck Protection Program as long as the loans are not being used for the same thing. You also can still apply for a loan if you have an insurance claim pending. A single business cannot apply for more than one Paycheck Protection Loan, however.

***Q: What if I'm still paying off a different SBA disaster loan?***

**A:** The Small Business Administration has made all deferments through Dec. 31 automatic. That means small-business owners do not have to contact the SBA to request deferment. If you have an existing or pending loan through the SBA's disaster



assistance loan program, you can refinance it into your Paycheck Protection Program loan, possibly lowering your interest rate.

**Q: *Can the loan eventually be forgiven?***

**A:** Yes. The program includes loan forgiveness covering costs for the first eight weeks of the loan for companies able to keep employees on payroll or continue paying bills throughout the coronavirus crisis.

The amount of loan forgiveness will include payroll costs for individuals below \$100,000 in annual income, mortgage and rent obligations, including interest and utility payments. If an employee is above a \$100,000 annual salary, the first \$100,000 will be factored into the company's loan forgiveness total but any amount above that will not. As of Wednesday morning, the SBA had not decided whether benefits will factor into that cap.

The total amount of forgiveness 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.

It is expected that at least 75 percent of the costs forgiven come from payroll, according to the SBA fact sheet released March 31, 2020.

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

**Q: *If I receive a salary as a sole proprietor, independent contractor, limited liability partnership, or other business that I own, can I count my own salary towards loan forgiveness?***

**A:** To be determined. SBA regional administrator Steve Bulger said Wednesday morning that this question would be addressed in future SBA regulations. In any case the \$100,000 cap for loan forgiveness would likely apply.

Your primary points of contact for information on federal loan programs should be the U.S. Small Business Administration or an SBA-qualified financial institution. You can reach the SBA by email at <mailto:email to:answerdesk@sba.gov> or by phone at 1-800-827-5722. The agency has reported receiving unprecedented interest in its loan program in recent weeks, but is working to set up new call centers to handle the flood of new inquiries.

The Treasury Department has also posted its own [fact sheet](#) on the program on its CARES Act resource page.

Several business groups also have published fact sheets on the SBA's loan programs, including the Economic Innovation Group and the U.S. Chamber of Commerce.

You can also follow your regional SBA administrator on Twitter for periodic updates. There are 10 SBA regions and you can find yours by clicking [here](#).