

## **PAYCHECK PROTECTION PROGRAM** **FREQUENTLY ASKED QUESTIONS**

### **What is a Paycheck Protection Program (PPP) loan?**

PPP loans are low interest, government backed loans intended to help small businesses negatively impacted by COVID-19. The program is administered by third party, SBA approved 7(a) lenders. These loans are forgivable for borrowers who meet certain criteria. The program was originally created through the passage of the CARES Act, through which Congress allocated \$349 billion dollars to fund the program and then was additionally funded through the appropriation of new funding in late April 2020.

### **Where can I apply for a PPP loan?**

Eligible borrowers can apply for PPP loans [HERE](#), before August 8, 2020.

### **Can I still apply for a PPP loan?**

On April 24, 2020 Congress appropriated additional funds to the PPP, restarting it for borrowers. The deadline to apply for loans through the PPP is August 8, 2020.

### **Am I eligible to receive a PPP loan?**

In addition to meeting the size requirement (500 or fewer employees for most companies), applicants must show that their business has been negatively impacted by the coronavirus. Borrowers must certify through their PPP application that current economic uncertainty makes the loan request necessary.

Eligibility is further broken down to include:

- Any business categorized under "Accommodation or Food Services," such as restaurants and hotels that have 500 or fewer employees per location;
- Tribal businesses;
- Independently owned franchises;
- Self-employed workers, independent contractors, gig workers, and sole proprietors

### **Do I have to pay back my PPP loan?**

It depends on how loan recipients utilize PPP loan funds. PPP loans (the full principal amount and any accrued interest) may be forgiven, meaning they do not have to be repaid, if the borrower meets certain criteria. If the loan recipient does not apply for forgiveness, they will have to repay the loan. The Small Business Administration recommends that borrowers maintain documentation showing that loan funds were used for eligible purposes to help facilitate the forgiveness process. Businesses have up to 24 weeks from the date the loan was received to spend the funds and be eligible for loan forgiveness.

Businesses may be eligible for **full forgiveness** if:

- The entire loan is used for qualifying costs:
  - At least 60% is used for payroll;
  - The rest is used for business rent, business utilities, or mortgage interest on a business property.

- The business either does not lay off employees or rehires them by December 31, 2020.
- For employees who make less than \$100,000 a year, the business either does not cut their wages by more than 25% or restores their original wages by December 31, 2020.
- *Note: If a business has received an EIDL Advance, the amount of that EIDL Advance will be deducted from the total forgiveness amount.*

Businesses may be eligible for **partial forgiveness** if:

- A business lays off employees, and does not rehire them by December 31, 2020, the forgiveness amount will be reduced by the percent decrease in employees.
- The total payroll expenses for employees who make less than \$100,000 a year decreases by 25% or more for each employee, the forgiveness amount may be reduced by the same percentage.
- A business received an EIDL Advance.

On October 8, 2020 the Small Business Administration (SBA) announced a streamlined Paycheck Protection Program loan forgiveness [application](#) for loans less than or equal to \$50,000. Requirements for applicants include the following criteria:

- The amount of forgiveness requested is less than the principal amount of the PPP loan and
  - Was spent paying for forgiveness-eligible items such as payroll costs to retain employees, business mortgage interest payments, business rent or lease payments, or business utility payments
  - Includes payroll costs that are equal to at least 60% of the forgiveness amount requested
  - If a 24-week Covered Period applies, the amount requested does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual or general partner, capped at \$20,833 per individual  
*and*
  - If the borrower elected an 8-week Covered Period, the amount requested does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual or general partner, capped at \$15,385 per individual

Additional information on loan forgiveness eligibility can be found on SBA's website [HERE](#).

#### **How much money can I receive through the PPP?**

Loan amounts are based directly on average monthly payroll costs. The SBA has issued specific instructions for how all PPP lenders must calculate the loan amount. The PPP loan amount = Average Monthly Payroll (excluding payroll costs over \$100,000) x 2.5 + EIDL loan (net of advance). These amounts are verified through the required supporting documentation.

#### **What can I spend PPP loan money on?**

PPP loan money allows borrowers to cover payroll costs, including salaries, paid sick and medical leave, insurance premiums, mortgage, rent and utility payments. In order to qualify for loan forgiveness, 60% of forgivable expenses must be allocated to payroll costs.

### Where can I find additional information on the PPP program and loans?

Additional information on the PPP program can be found on the [PPP Website and by reviewing the PPP FAQs](#).

### Who do I contact if I need help getting a PPP loan?

For assistance getting a PPP loan or answering questions about a PPP loan, please connect with a local SBA partner. You can locate your area's SBA partner office, [HERE](#).

**Legal and Financial Disclaimer:** *The information above is meant to serve as an educational summary of federal loan and grant programs related to COVID-19. It does not constitute or substitute legal or financial advice. Interested parties should continue to consult their legal and financial professionals.*

**Note about AAOS Help and Services:** *Unfortunately, the Academy is unable to help with individual applications or paperwork required for obtaining relief funds. For related questions or comments about the programs, please email the Office of Government Relations at [dc@aaos.org](mailto:dc@aaos.org).*