

## Paycheck Protection Program (PPP) Update

On April 24, 2020 the President signed the Paycheck Protection Program and Health Care Enhancement Act which amends the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The CARES Act, passed on Friday, March 27, 2020, was the federal government’s third-phase effort to attempt to stem the spread of COVID-19 and its economic impact. The passage of this amendment comes as unemployment claims surge to 26.4 million in a five-week period, with 4.4 million claims being made in the last week.

### *Paycheck Protection Program*

The CARES Act created a program designed to provide assistance to small and medium-sized businesses called the Paycheck Protection Program (“PPP”), which provides loans to those businesses with fewer than 500 employees *per location*, those that are self-employed, independent contractors, and certain nonprofits. Small businesses and sole proprietorships were eligible to apply on April 3, 2020 through SBA-approved lending institutions. Independent contractors and self-employed individuals were eligible to apply a week after, on April 10, 2020. The \$349 billion program was depleted in just 13 days.

The recently enacted amendment includes replenishing the PPP with \$310 billion. Of this \$310 billion, \$60 billion in total will be reserved for smaller lenders like community banks and credit unions. Of these smaller lenders, those with assets between \$10 billion and \$50 billion will be allocated \$30 billion of the \$60 billion, and lenders with less than \$10 billion in assets will receive the remaining \$30 billion allocation. This is to specifically address the issue of smaller businesses effectively being shut out of the PPP. According to John Pitts, head of policy for the financial services company Plaid, “very small businesses...are going to be the last ones in line to get money because they’re not existing bank customers, and their lenders who they trust and rely on are not able to access the program”.

***While businesses most likely do not need to re-apply for the PPP, they should confirm with their lenders that their applications are still in the system. Those businesses who have not applied for the PPP should do so right away by phone or e-mail (as this is quicker than mail or in-person applications). The revised application can be found here:***

<https://www.sba.gov/sites/default/files/2020-04/PPP%20Borrower%20Application%20Form.pdf>

The PPP loan proceeds amount is tied to the applicant’s average monthly payroll, mortgage, rent, utility payments, and other debt obligations in 2019 and is capped at \$10 million. Once approved, the proceeds will be available immediately and can be used for payroll support, employee salaries, mortgage interest, rent payments, utility payments, and interest on existing debt obligations accrued before February 15, 2020. If an employer does not lay off (or rehires) employees from

February 15, 2020 through June 30, 2020 and continues to pay them, the loan may be forgiven (or reduced where there are employee cuts or reductions in wages).

*Economic Injury Disaster Loans and Disaster Loan Program*

In addition, the amendment replenishes the Emergency Economic Injury Disaster Loans (EIDL) with \$10 billion in funding and provides the Disaster Loan Program Account with \$50 billion in funding.

Employers with 500 employees or fewer, private nonprofit organizations, independent contractors, sole proprietorships, and tribal businesses may apply for EIDL grants. Grants are capped at \$2 million and require collateral for loan amounts more than \$200,000. Up to \$10,000 of the EIDL grant amount is forgivable.

The Disaster Loans Program Account is meant to cover direct loans authorized by Section 7(b) of the Small Business Act to prevent, prepare for, and respond to coronavirus, domestically or internationally.

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Harris St. Laurent will continue to update this information as more becomes available.