PAYCHECK PROTECTION PROGRAM
DUKE LAW COMMUNITY ENTERPRISE CLINIC
APRIL 21, 2020

Background, tips on applying, and an introduction to the forms required
What is the Paycheck Protection Program (PPP)?

- The PPP is a part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in which the U.S. government initially allocated about $350 billion to help nonprofits and small businesses (< 500 employees) through this crisis.
- This week Congress is in the process of approving an additional $321 billion for the program.
- Of this new amount, $60 billion is set aside for underbanked businesses.
- The PPP is intended to help small businesses and nonprofits keep their workers employed throughout the pandemic.
How does the PPP work?

- The PPP is a forgivable loan program and you apply through any SBA-certified lender.
- If your bank or credit union is a participating lender, that may be the best place to apply.
- The maximum loan you can get is equal to 2.5 times your average monthly payroll and the maximum loan amount is $10 million.
- In determining your average monthly payroll, you may not include the portion of any salaries above $100,000.
- In addition to submitting a simple, standard loan application, you will have to provide certain documentation to support your request. This documentation is mostly payroll and tax information, though some lenders may require more.
- PPP funds will go quickly, so you should work with your lender to prepare your application in advance so that it can be quickly submitted once the SBA reopens the program.
What are the primary terms for PPP loans?

- PPP loans have a 10 year term and the maximum interest rate is 1%
- Payments on PPP loans are deferred for six months
- The loan amount should be forgiven if you use at least 75% to retain or rehire employees and you don’t use more than 25% to pay for rent, utilities or interest on a mortgage
- The loans are federally guaranteed, do not require collateral, personal guarantees, or other credit options
- Some details are still being developed, but it is expected that you will work with your lender to get your loan forgiven
Tips for the Application

Make sure you have the following documents ready to go:

- Payroll information for all full-time employees.
- Quarterly Reports, ideally Form 941 for 2019
- Payroll reports that include health insurance payments or other benefits contributions.
- The SSN and a color photocopy of the driver’s license of the person signing the application.

- “Payroll” includes (1) salary; (2) health insurance payments; (3) benefits contributions; (4) and taxes associated with paying your employees.
- If you work with a payroll service, ask them if they can help you determine your average monthly payroll – many are creating special reports to help with applying for the PPP.
- Employees includes both full-time and part-time employees, but cannot include the amounts paid to contractors.
- If you have employees making over $100,000, any amount over $100,000 shouldn’t be included in calculating your average monthly payroll.
- Each lender may have a few special requirements, so you should start working with your bank or credit union as soon as possible on your application.
Timing and Amount to Expect

- We keep saying this, but we’ll say it again: your application and supporting documentation (more on this on the next slide) should be ready as soon as possible. The actual forms specific to each financial institution vary, but you should be ready to compile your application as soon as they are released.

- Again, the maximum loan amount is 2.5 times the amount of your average monthly payroll (up to a maximum of $10,000,000)

- **Remember:** to have the PPP loan forgiven, 75% of the loan amount must be spent to pay employees; not more than 25% can be spent on mortgage interest, rent, or utilities

- If you are approved, the loan should be distributed quickly, it varies from institution to institution but is usually in less than a week
Paycheck Protection Program
Borrower Application Form

Check One: ( ) Sole proprietor ( ) Partnership ( ) C-Corp ( ) S-Corp ( ) LLC
( ) Independent contractor ( ) Eligible self-employed individual
( ) 501(c)(3) nonprofit ( ) 501(c)(4) veterans organization
( ) Tribal business (see 31(3)(C) of Small Business Act) ( ) Other

Business Legal Name

Business Address

Business TIN (FTN, SSN)

Business Phone

Primary Contact

Email Address

Average Monthly Payroll: $  x 2.5 + EIDL, Net of Advance (if Applicable) Equivalents Loan Request: $  Number of Employees

Purpose of the loan

Select most than one:
( ) Payroll ( ) Lease / Mortgage Interest ( ) Utilities ( ) Other (explain)

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name

Title

Ownership %

TIN (FTN, SSN)

Address

If questions (1) or (2) below are answered "Yes," the loan will not be approved:

1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?

2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?

3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as attachment A.

4. Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as attachment B.

If questions (3) or (4) above are answered "Yes," the loan will not be approved:

5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole?

Initial here to confirm your response to question 5:  

6. Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted, 2) pleaded guilty, 3) pleaded nolo contendere, 4) been placed on deferred prosecution, or 5) been placed on any form of parole or probation (including probation before judgment)?

Initial here to confirm your response to question 6:  

7. Is the United States the principal place of residence for all employees of the Applicant included in the Applicant's payroll calculation above?

8. Is the Applicant a franchise that is listed in the SBA's Franchise Directory?

SBA Form 2483 (04/20)
- Make sure you complete the entire form!! An incomplete application cannot be processed.

- Make sure the average monthly payroll amount shown here matches the documentation you provide your lender.

- You should include all FTEs in the “Number of Employees” box – for part-time employees, calculate this based on a 40 hour work week (e.g. 20 hours = .5 FTE)
**SBA Form 2483**

- Even if the answers to all of these are “No,” make sure to check the boxes so that your application is complete.
- If you answer “Yes” to (1) or (2) you are not eligible for the PPP.

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?</td>
<td>☐</td>
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<td>3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.</td>
<td>☐</td>
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SBA Form 2483

It is very important to make sure you answer “No” to (5) and (6) and they must be initialed. If they are not, you risk being denied.

Of course, your answers here should also be truthful, so read questions 5 and 6 carefully and answer appropriately.
- Make sure to initial all of these boxes and that all signature blocks are signed and dated
- Pages 3 – 4 include information about the program, your rights, and some instructions
- Good luck!!