

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, Small Business Administration (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. The program was additionally funded through the Consolidated Appropriations Act passed at the end of December 2020.

Where can I apply for a PPP loan?

Eligible borrowers can apply for PPP loans [HERE](#), before March 31, 2021. However, applications are currently only open for participating Community Development Financial Institutions, Minority Depository Institutions, Certified Development Companies, and Microloan Intermediaries. AAOS will notify members when applications are reopened to all participating lenders and their customers in the near future.

Can I still apply for a PPP loan?

Following the passage of the Consolidated Appropriations Act on December 27, 2020 the PPP loan program was reopened on January 11, 2021. The deadline to apply for loans is March 31, 2021. The updated PPP loan program is divided into First Draw Loans for first time applicants and Second Draw Loans for borrowers who have already received a First Draw Loan.

Am I eligible to receive a First Draw 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. The maximum loan amount is the lesser of \$10 million or an amount that the business may calculate using a payroll-based formula authorized by the SBA. 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;
- 501(c)(3) nonprofit organizations, 501(c)(19) veteran's organizations, or 501(c)(6) organizations with the greater of 500 employees or that meets the SBA industry size standard if there are more than 500 employees;
- Small businesses, as defined under the applicable revenue-based size standard established by the SBA;
- Certain news organizations and nonprofit public broadcasting with no more than 500 employees per location;
- Tribal businesses;

- Independently owned franchises; and
- Self-employed workers, independent contractors, gig workers, and sole proprietors

Am I eligible to receive a Second Draw PPP loan?

Second Draw PPP Loans are intended for borrowers who have previously received a First Draw PPP Loan and will use, or have used, the full amount only for authorized uses. In addition to meeting the size requirement (300 or fewer employees for most companies), applicants must show that their business has been negatively impacted by the coronavirus in the form of at least a 25 percent reduction in gross receipts between comparable quarters of 2019 and 2020. The maximum loan amount is calculated as 2.5 times the average monthly 2019 or 2020 payroll costs, up to a maximum of \$2 million.

What are the loan terms?

Both First and Second Draw PPP Loans have the following terms:

- 1 percent interest rate
- For loans issued before June 5, 2020 there is a two year maturity period. For loans issued after June 5, 2020 there is a five year maturity period.
- Loans do not require collateral or personal guarantees
- Neither the government nor lenders will charge fees to participating small businesses

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 SBA 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 percent is used for payroll;
 - The rest is used for business rent, business utilities, mortgage interest, costs related to continuation of group health care benefits, or interest payments on any other debt obligations incurred prior to February 15, 2020; refinancing SBA Economic Injury Disaster Loans made between January 31, 2020 and April 3, 2020; covered operations expenditures, property damage costs, covered supplier costs, and covered worker protection expenditures.
- Employee and compensation levels are maintained
- The loan forgiveness covered period is the period beginning on the date the lender disburses the PPP loan and ending on any date selected by the borrower that occurs

during the period which begins 8 weeks after the date of disbursement and ends on the date that is 24 weeks after the date of disbursement.

- For loans of up to \$150,000 the forgiveness process is simplified, and the borrower will not be required to submit further documentation beyond the certification and information required in the application.

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

- If the loan forgiveness application is submitted within 10 months after the end of the loan forgiveness covered period, the borrower will not be required to make payments on the principle loan amount or interest before the date on which the SBA remits the loan forgiveness amount on the loan to the lender.

Second Draw PPP Loan Forgiveness:

- The entire loan is eligible for forgiveness if during the 8-24 week loan coverage period the employee and compensation levels are maintained per the terms of the First Draw PPP loan, the loan proceeds are spent on the eligible expenses and payroll costs, and at least 60 percent of the total loan proceeds are spent on payroll costs.

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

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.*