



SBA Guidance on Paycheck Protection Program Loan Calculation & Application Process

The SBA has just issued their Interim Final Rule for the Paycheck Protection Program. The details of this thirty-page document can be found on [the Department of Treasury's website](#).

Paycheck Protection Program Details

The SBA's Guidance is mostly in line with the details of the CARES Act. However, there are several clarifications—the key points we have summarized below. Unfortunately, we continue to get reports of varying information which lenders are requesting for your Loan Application. At this point, CTR recommends that you wait to receive the specific information that your lender is requesting as part of your application process. We will be happy to assist you with gathering any additional information. Additionally, the iSolved product development team has added a new report under Client Reports entitled "CARES Paycheck Protection Program Report." This report is an excellent resource for calculating your payroll costs for your loan application.

- The SBA is applying an immediate effective date for businesses to begin applying for the loans.
- The loans are on a "first come first serve" basis
- The loan has a 1% Interest Rate
- Payments will be deferred for six months following the date of disbursement of the loan, but interest will accrue during the deferment.
- The loan term will be 2 years despite the Act's original allowance for a ten-year term. The SBA stated, "the considerable economic disruption caused by the coronavirus is expected to abate well before the two year maturity date such that borrowers will be able to recommence business operations and pay off any outstanding balances on their PPP loans."

Clarifications for Calculating your Payroll Costs

- The SBA clarified that Federal Employment taxes are excluded from the Payroll Cost for wages paid between the period of February 15, 2020 through June 30, 2020.
- Independent contractors should be removed from your loan calculation.

The SBA added some categories of individuals and business that are ineligible including those engaged in illegal activities, nannies and household employees, businesses who have defaulted on a prior SBA or Federal loan within the last seven years, and any business with an owner with 20% or more equity that is facing criminal charges, is on probation or parole, or has been convicted of a felony in the last 5 years.



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Loan Forgiveness Clarifications

The SBA clarified that not more than 25% of the loan forgiveness amount may be attributable to non payroll costs. The SBA expressed that limiting the spend on expenses other than payroll (mortgage, interest, rent and utilities) would “ensure finite program resources are devoted primarily to payroll.”

Documentation for the Loan

The applicant must submit SBA Form 2483 (Paycheck Protection Program Application Form) and supporting payroll documentation. No specific format was mentioned for the “payroll documentation.”

The SBA stated they will continue to receive comments from the public regarding this “interim rule” for 30 days from the date of publication in the Federal Register and will consider making revisions based on the comments.