

Blog Post

# Paycheck Protection Program Open for Business

April 3, 2020

Small businesses can begin applying for loans under the Paycheck Protection Program today, **April 3, 2020**, but should keep in mind that under new interim guidance, 75 percent of the forgiven amount over the eight week period following origination of the loan must be used for payroll purposes. Independent contractors and self-employed individuals can apply starting **April 10, 2020**. The application can be found [here](#). The Paycheck Protection Program is part of the recently passed Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

The SBA's interim guidance was issued on April 3, 2020, to address certain gaps in the CARES Act. Most notably, it limits loan forgiveness in a way that was not previously enumerated in the text of the CARES Act. The guidance explains that this limit is necessary to “effectuate the core purpose of the statute and ensure finite program resources are devoted primarily to payroll.” The application for borrowers mirrors this new guidance by requiring all borrowers to certify that they understand that not more than 25 percent of the forgiven amount may be for non-payroll costs. Businesses should keep this in mind when they apply, as previously, there was no stated limit on how the loan would need to be apportioned between rent, mortgage, utilities, and payroll to qualify for forgiveness.

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Businesses may apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating. The guidance also makes clear who must sign the application:

- For a sole proprietorship, the sole proprietor;
- For a partnership, all general partners, and all limited partners owning 20 percent or more of the equity of the firm;
- For a corporation, all owners of 20 percent or more of the corporation;
- For limited liability companies, all members owning 20 percent or more of the company; and
- Any Trustor (if the Applicant is owned by a trust).

Businesses should begin gathering the documents (and signatures) needed for the application now so that they can apply on April 3, 2020 as it is expected that there will be a high demand for Paycheck Protection Program loans. The guidance makes clear that all loans will be awarded on a first come first served basis.

For lenders seeking to offer loans under the CARES Act, the SBA has posted its lender application [here](#).

If you need assistance with the Paycheck Protection Program or other aspects of the recent legislation surrounding COVID-19, contact your Akerman attorney.

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