

COVID-19 Alert: Paycheck Protection Program

SBA Paycheck Protection Program (“PPP”)

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On March 31, 2020, the Department of the Treasury (“Treasury”) issued **guidance for the Paycheck Protection Program (“PPP”)**, one of the hallmarks of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act designed to provide up to \$350 billion in short term loans to small businesses affected by the COVID-19 pandemic.

According to information provided by Treasury, while PPP loans can only be made by private lenders who are certified by the Small Business Administration (“SBA”), they are fully guaranteed by the SBA. These PPP loans are made for a two-year period, and provide a 0.5% fixed interest rate with repayments deferred for six months.

An applicant business is eligible to obtain a PPP loan equal to the lesser of (a) \$10 million or (b) 250% of its average total monthly payroll costs over a trailing 12-month period, as measured from the loan origination date. Loan amounts will be forgiven as tax free cancellation of indebtedness as long as (i) the loan proceeds are used to cover payroll costs, mortgage interest costs, rent expenses, and utility costs over an eight (8) week period beginning as of the origination date, and (ii) employee and compensation levels are maintained.

Per Treasury, the underwriting standards for eligibility are relaxed, and private lenders making PPP loans will be required to verify that the applicant business was in operation as of February 15, 2020, and that it had employees for whom it paid salaries and payroll taxes.

The application window opens on Friday, April 3, 2020 for small businesses and sole proprietorships and Friday, April 10, 2020 for independent contractors and self-employed individuals. Applications can be made through any SBA-certified private lender.

Additional resources are available on the Treasury’s website.

Morse is following this topic closely. Please feel free to reach out to your Morse contact, or to speak with **Joe Hunt**, **Amanda Thibodeau**, or **Matt Mitchell** directly, should you have any questions.

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