

Treasury Department and Small Business Administration Issue Paycheck Protection Program Guidance

***Since the original issuance of this newsletter, [further guidance was issued](#) by the Treasury Department and the Small Business Administration. This guidance increased the maximum interest rate on loans made under the Paycheck Protection Program to 1.0%. Additionally, it should be noted that many of the exclusions for receiving a loan under the traditional SBA 7(a) program were maintained in the Paycheck Protection Program. While ELFA is still reviewing these guidelines, our initial read is that, broadly, small financial services companies, amongst other categories of businesses, are not eligible to receive loans under this program. ELFA will be issuing more information about this in the coming days and is already actively engaging with policy makers on this issue.

On March 31, 2020, the Treasury Department and the Small Business Administration (SBA) announced the initial guidelines for the [Paycheck Protection Program](#). ELFA Members should look at this program with three things in mind:

- Should I be encouraging my customers to apply for this program?
- Should my business be applying for assistance from this program?
- Do I want to consider becoming a lender under this program (presuming you are not already qualified)?

The quick overview is that loans under this program will be made by banks, credit unions, other current SBA lenders, and Farm Credit System Institutions. Additional lenders may also be approved by the government to participate in this program (guidelines are within the information released by Treasury and the SBA).

The initial terms and eligibility as described in the Treasury guidelines are as follows:

- Eligible businesses: All businesses, including non-profits, Veterans organizations, Tribal concerns, sole proprietorships, self-employed individuals, and independent contractors, with 500 or fewer employees, or

no greater than the number of employees set by the SBA as the size standard for certain industries

- Maximum loan amount up to \$10 million
- Loan forgiveness if proceeds used for payroll costs and other designated business operating expenses in the 8 weeks following the date of loan origination (due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs)
- All loans under this program will have the following identical features:
 - Interest rate of 0.5% (AS NOTED ABOVE THIS WAS CHANGED TO 1.0% IN THE GUIDELINES ISSUED ON 4/3/20)
 - Maturity of 2 years
 - First payment deferred for six months
 - 100% guarantee by SBA
 - No collateral
 - No personal guarantees
 - No borrower or lender fees payable to SBA

It is ELFA's understanding that some of these terms may be subject to further refinement. We will be posting new information as we get it to the [ELFA Federal Government COVID-19 Response Page](#). There is also additional information, including a sample application, available from the [Treasury](#) and the [SBA](#). That information was current as of this newsletter publishing date of 4/1/20.

Additionally, there is also the existing SBA disaster loan program, which is available and may be appropriate for some ELFA members and/or your customers. Many of those with experience in this space are recommending that businesses apply for both programs if they need assistance. ELFA members should be aware that there are interplays between the two programs so do your due diligence before recommending these programs to a customer or applying for one for your own business.

As with any government program, please be sure to understand the short-term and long-term ramifications of participating before you sign up. If you need assistance, please consult with appropriate counsel or advisors.

Congressional Links

To access House and Senate information on committee hearings or your Members of Congress, go to the [ELFA Advocacy Grassroots Network page](#).

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