

## Frequently Asked Questions (FAQs) for Small Businesses

The following document provides a high-level overview of key elements under the CARES Act and the Treasury [borrower fact sheet](#) and [borrower application form](#) and Small Business Administration (SBA) [interim final rule](#) for potential borrowers released on April 2 with respect to small business assistance under the Paycheck Protection Program and Economic Injury Disaster Loan (EIDL program) administered by the SBA. This document is intended to accompany the summary chart and provide more detailed information regarding specific questions you may have about the small business lending programs under the CARES Act. For any additional questions please speak with your business contacts at Goldman Sachs. For additional resources, visit the [Goldman Sachs US Small Business Resource Center](#). We will update these FAQs as additional guidance is released.

### Small Business Assistance under the Paycheck Protection Program

#### ***Q: How much is allocated to small business assistance?***

- The CARES Act allots almost **\$380 billion** in loans and grants from the SBA
  - **\$349 billion** is available through 7(a) loans from the SBA for the Payroll Protection Program; and
  - An additional **\$27 billion** was added in emergency grants to aid in servicing existing SBA loans, including **\$10 billion** for EIDLs

#### ***Q: Who is eligible under the Paycheck Protection Program?***

- In addition to “traditional” small businesses, assistance will be provided to non-profits, sole proprietors, independent contractors, self-employed individuals and “gig” workers
- Your small business is eligible if you have **500 or fewer employees**, unless the SBA has established a higher size threshold for the relevant industry, and your principal place of residence is in the United States. Small business size standards by NAICS Industry that apply to all SBA programs can be found [here](#)
- Unless otherwise exempted, your employee figure is expected to take into account affiliates, determined using the SBA’s affiliate rules (e.g., **if your business is a portfolio company affiliated with a private equity or other firm, for example, your business may need to count all employees of the private equity or other firm, as well as all employees of other entities that the private equity or other firm has control over**)
- However, the CARES Act waives the affiliation rules of the SBA for certain sectors such as hotel and restaurant sectors with a [NAICS 72 code](#), as well as [SBA recognized franchises](#) and U.S. businesses that receive financial assistance from a small business investment company (SBIC)

#### ***Q: Who is not eligible under the Paycheck Protection Program?***

- Any business engaged in any activity that is illegal under federal, state, or local law
- Any individual who employs household employees such as nannies or housekeepers
- Any business where an owner of 20% or more of the equity of that business is or has been subject to certain criminal charges or sanctions (incarcerated, on probation, on parole, currently subject to an indictment, criminal information, arraignment), or has been convicted of a felony within the last 5 years
- You, or any business owned or controlled by you or any of your owners, has ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted within the last seven years and caused a loss to the government

#### ***Q: Are the loans under the Paycheck Protection Program provided on a “first-come, first-served” basis?***

- Yes, they will be provided on a “first-come, first-served” basis

#### ***Q: What is the window of coverage?***

- The program will apply retroactively to February 15 and extend hardship criteria through June 30
- Treasury has encouraged potential borrowers to apply **as quickly as possible** because of the limited amount of funds and because lenders will require time to process an application

**Q: When can I apply?**

- Small businesses and sole proprietorships can apply for and receive loans starting **April 3, 2020**
- Independent contractors and self-employed individuals can apply for and receive loans starting **April 10, 2020**
- See [borrower fact sheet](#) and [borrower application form](#), both released by Treasury on April 2, 2020

**Q: What do I need to apply?**

- An applicant must complete a [loan application](#) and submit it with required payroll documentation to an SBA approved lender
- Most applicants will need to submit IRS payroll tax forms for 2019
- Key aspects of the loan application include certifications that you must make (described below)

**Q: How much funding can I receive?**

- A maximum loan amount of 2.5 times your business's average total monthly "payroll costs" (capped at \$10 million total) plus the outstanding amount of an EIDL (less any "advance" under an EIDL Grant)
- A business cannot apply for more than one loan
- "Payroll costs" include more than annual salaries. They also include group healthcare insurance premiums, retirement benefits, and vacation, paternal, family, medical and sick leave payments
- The loan proceeds may be used beyond "payroll costs" to cover salaries, commission or similar compensation, as well as utilities, lease payments, mortgage interest payments (but not prepayment of or payment of principal), payments of interest on other debt obligations, and refinancings of EIDLs. However, these expenses are not included in the calculation of "payroll costs" to determine the loan amount
- Amounts used for non-payroll costs may impact loan forgiveness (see below)

**Q: How are "payroll costs" defined?**

- "Payroll costs" for businesses include salaries, wages, cash tips, payments for vacation, parental, family, medical, or sick leave, and group health care benefits, as well as certain other employment-related expenses; independent contractors do not count as employees
- "Payroll costs" for sole proprietors and independent contractors include wages and net earnings from self-employment

**Q: What is excluded from being considered "payroll costs"?**

- Any compensation to an individual in excess of \$100,000 annually (prorated from February 15, 2020 to June 30, 2020)
- Any compensation to employees principally residing outside the United States
- Certain taxes and qualified sick leave and family wages that receive a tax credit under the Families First Coronavirus Response Act (the second emergency legislation enacted)

**Q: How do I calculate "payroll costs"?**

- The average payroll will be calculated over (i) the year prior to the loan origination, (ii) for seasonal employers, the period between February 15, 2019 through June 30, 2019 or, at the election of the borrower, March 1, 2019 through June 30, 2019, or (iii) the period between January 1, 2020 and February 29, 2020 for businesses not in operation during the period between February 15, 2019 and June 30, 2019
- The Paycheck Protection Program [borrower application form](#) provides that most applicants will need to submit IRS payroll tax forms for 2019, which will be used by lenders to calculate the loan amount

**Q: Do independent contractors count as employees for purposes of loan calculations?**

- No, independent contractors have the ability to apply for a Paycheck Protection Program loan on their own so they do not count for purposes of your business's loan calculation

**Q: How do I calculate the maximum amount I can borrow?**

- **Step 1:** Aggregate payroll costs from the last 12 months for employees whose principal place of residence is the United States
- **Step 2:** Subtract any compensation paid to an employee in excess of an annual salary of \$100,000 and/or any amounts paid to an independent contractor or sole proprietor in excess of \$100,000 per year
- **Step 3:** Calculate average monthly payroll costs (divide the amount from Step 2 by 12)
- **Step 4:** Multiply the average monthly payroll costs from Step 3 by 2.5
- **Step 5:** Add the outstanding amount of an EIDL made between January 31, 2020 and April 3, 2020, less the amount of any “advance” under an EIDL COVID-19 loan (because it does not have to be repaid)
- For examples that illustrate this methodology, see pages 9-10 of the SBA [interim final rule](#)

**Q: Can payments be deferred?**

- Yes. Payments of principal and interest for loans under the Payroll Protection Program will be deferred for at least 6 months
- Interest will continue to accrue over the deferral period, but, if the full principal of the loan is forgiven, you are not responsible for the interest accrued in the 8-week period after the origination date of the loan

**Q: What are the loan terms?**

- The fixed interest rate is 1.00% annually
- The term of the loan is 2 years, but you may repay the loan earlier without any prepayment penalty or fee
- All borrowers will receive at least 6 months of interest and principal payment deferment

**Q: Do I need to pledge collateral or provide a personal guarantee?**

- No. Collateral and personal guarantee requirements are waived

**Q: How much of the loan may be used for “payroll costs” versus rent, utilities and other permissible uses?**

- At least 75% of the loans must be used for “payroll costs”

**Q: Will any part of the loan be forgiven?**

- You will be eligible for loan forgiveness equal to the amount spent during an 8-week period after the origination date of the loan on:
  - “payroll costs”
  - interest payment on any mortgage incurred prior to February 15
  - payment of rent on any lease in force prior to February 15, and
  - payment on any utility for which service began before February 15
- In other words, you will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan
- Forgiveness will also be reduced if salaries/wages are reduced by more than 25% (excluding reductions for salary and wage amounts over \$100,000)
- Not more than 25% of the forgiveness amount may be attributable to non-payroll costs
- Forgiveness cannot exceed the original loan amount

**Q: Are there reductions in forgiveness based on layoffs and wage reductions?**

- Your loan forgiveness will be reduced if you decrease your full-time employee headcount and if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019

**Q: What if I have already reduced my workforce? Can I still get loan forgiveness?**

- You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020 in order to obtain loan forgiveness for those payroll costs

**Q: Do independent contractors count as employees for purposes of loan forgiveness?**

- No, independent contractors have the ability to apply for a Paycheck Protection Program loan on their own so they do not count for purposes of any of your business's loan forgiveness

**Q: How do I request loan forgiveness?**

- You must submit a request to your lender that includes:
  - Documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations; and
  - A certification that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments
- The lender must make a decision on the forgiveness within 60 days of your request

**Q: Does the Paycheck Protection Program cover paid sick leave?**

- Yes, the program covers payroll costs, which include employee benefits such as costs for parental, family, medical, or sick leave
- However, the CARES Act expressly excludes qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116–127). Learn more about the FFCRA's Paid Sick Leave Refundable Credit [online](#)

**Q: Do I need to first look for other funds before applying to this program?**

- No. The usual SBA "Credit Elsewhere" requirement for 7(a) loans is waived

**Q: If I took a bridge loan through my state, am I eligible to apply for a loan under this program?**

- A borrower may take out a state bridge loan and remain eligible for a loan under this program

**Q: If I have applied for, or received, an EIDL related to COVID-19 before this program became available, will I be able to refinance the EIDL into a loan under this program?**

- If you received an EIDL related to COVID-19 after January 31, 2020, if eligible to receive a loan under the Paycheck Protection Program, you will be able to refinance the EIDL into a loan under this program for loan forgiveness purposes
- However, you cannot take out an EIDL and a loan under the Paycheck Protection Program for the same purposes
- Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a loan under this program, will remain a loan
- Any Emergency Economic Injury Grant (EIDL Grant), an award of up to \$10,000, received will be subtracted from the amount forgiven under the Paycheck Protection Program

**Q: Can I use e-signatures or e-consents if a borrower has multiple owners?**

- Yes, e-signature or e-consents can be used regardless of the number of owners

**Q: Where do I apply?**

- A list of eligible SBA lenders is available at <https://www.sba.gov/paycheckprotection/find/>
- SBA resource partners are available to help guide you through the PPP application process. Find the nearest Small Business Development Center, Women's Business Center, or SCORE mentorship chapter at <https://www.sba.gov/localassistance/find/>

**Q: What do I need to certify to my lender in order to get a loan?**

- As part of your application, you must certify in good faith that:
  - Your business was in operation on February 15, 2020 and had employees for whom you paid salaries and payroll taxes or paid independent contractors
  - Current economic uncertainty makes the loan necessary to support your ongoing obligations

- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments, and that not more than 25% of loan proceeds may be used for non-payroll costs
- You understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold you legally liable (such as charges for fraud)
- You have not and will not receive another loan under this program
- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the 8 weeks after getting this loan
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, with not more than 25% of the forgiven amount being used for non-payroll costs
- All the information you provided in your application and in all supporting documents and forms is true and accurate (knowingly making a false statement to get a loan under this program is punishable by law)
- You acknowledge that the lender will confirm the eligible loan amount using the documents you submitted
- You affirm that the tax documents submitted are identical to those you submitted to the IRS; and
- You understand, acknowledge, and agree that the lender can share the eligible loan amount using required documents submitted (including tax documents) with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purposes of compliance with SBA Loan Program Requirements and all SBA reviews

### Economic Injury Disaster Loans and Emergency Economic Injury Grants

#### **Q: Who is eligible?**

- Certain businesses that were in operation on January 31, 2020 that have suffered economic injury due to COVID-19 across all 50 states, Washington D.C. and the territories are eligible for EIDLs, including:
  - Entities with 500 or fewer employees, including businesses, cooperatives, ESOPs, tribal small business concerns, and small agricultural cooperatives;
  - Businesses with more than 500 employees that meet the applicable size standard for SBA based on industry;
  - Sole proprietorships and independent contractors; and
  - Private nonprofits (of any size)
- Under this program, businesses with 500 or fewer employees do not require the affiliation analysis that may be required for certain businesses under the Paycheck Protection Program

#### **Q: What can an EIDL be used for?**

- EIDLs are available to pay for expenses that could have been met had the COVID-19 pandemic not occurred, including:
  - Payroll costs, including paid sick leave to employees;
  - Increased costs due to supply chain interruptions;
  - Rent or mortgage payments; and
  - Obligations that cannot be met due to revenue losses

#### **Q: What are the key terms?**

- The key terms of an EIDL include:
  - Up to \$2 million loan amount;
  - Interest rate of 3.75% annually for small businesses and 2.75% annually for non-profits;
  - Up to 30-year loan term;
  - Requires personal guarantee for loan amounts above \$200,000; and
  - Submission of tax returns is not required

**Q: If I apply for an EIDL, am I also eligible for a loan under the Paycheck Protection Program?**

- Businesses can apply for, and receive, both EIDLs and Paycheck Protection Program loans but the loan proceeds cannot be used for the same purpose
  - *What this means:* If you use EIDL proceeds to cover payroll for certain workers in April, you cannot use Paycheck Protection Program loan proceeds for payroll for those same workers in April, although you could use Paycheck Protection Program loan proceeds for payroll in March or for different workers in April

**Q: What are other key things to know about EIDLs?**

- Under the CARES Act, EIDL provisions have been expanded:
  - EIDLs can be approved by the SBA **based solely on an applicant's credit score**;
  - EIDLs of **less than \$200,000** can be approved without a personal guarantee;
  - The SBA is not requiring real estate collateral and will take a general security interest in business property; and
  - Businesses need not have been in business for the one-year period prior to the COVID-19 pandemic
- If you applied for an EIDL prior to the COVID-19 national emergency declaration, you may have been denied because your specific geographic area was not yet eligible. You can now re-apply for an EIDL.

**Q: What is an EIDL Grant?**

- An emergency \$10,000 cash advance that may be requested during the EIDL application process that the SBA will fund within **three days of applying for the EIDL**
- The EIDL Grant does not need to be repaid, even if the application for the EIDL is denied
- As noted above, if a borrower obtains both an EIDL Grant and a Paycheck Protection Program loan, the EIDL Grant will be reduced from the amount of forgiveness under the Paycheck Protection Program loan

**Q: Who is eligible for an EIDL Grant?**

- Anyone who is eligible to apply for an EIDL, retroactive to January 31, 2020 to allow those who have already applied for EIDLs to also receive the EIDL Grant

**Q: Where do I apply?**

- The SBA is currently accepting applications online. Click [here](#) to apply through December 31, 2020.
- SBA resource partners are available to help guide you through the EIDL application process. Find the nearest Small Business Development Center, Women's Business Center, or SCORE mentorship chapter at <https://www.sba.gov/localassistance/find/>

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This document been prepared by Goldman Sachs and its legal counsel and is intended to serve as only a high-level summary of specific provisions of the CARES Act. This summary does not constitute advice and does not cover all aspects of the law, including provisions that may be relevant to, or apply differently to, your business, your employees and/or your shareholders. For any specific questions about the CARES Act and how it may impact your business, we strongly encourage that you contact your legal counsel and your business contacts at Goldman Sachs.