

ALERT

# How to Prepare for the Paycheck Protection Program

March 30, 2020

The \$349 billion Paycheck Protection Program (PPP) is part of the massive CARES Act that was signed into law on March 27. The PPP authorizes lenders to make fully-guaranteed Small Business Administration (SBA) loans to small businesses to cover payroll and overhead costs for the next two months. Significantly, the loans will be forgiven to the extent that the business retains its employees over that period of time. For a more detailed summary of the PPP and the CARES Act, [click here](#).

The Treasury Department is expected to issue regulations by the end of this week with guidelines on how to apply for these PPP loans. Secretary Mnuchin has announced that it will be a “very simple process” where funds can be disbursed “on the same day” that an application is approved.

Unlike traditional SBA loans, the PPP loans will not require collateral, a personal guarantee, or detailed financial or tax information about the business. The only items that a lender needs to verify are that the applicant (i) meets the small business eligibility standards, (ii) was in operation on February 15, 2020, and (iii) had employees or consultants that it paid.

The good news is that the application should be short and simple, the documentation requirements should be minimal, and funds should be available quickly. However, it also is likely that lenders soon will be flooded with loan applications and, despite their best efforts, it may take them some time to process the applications. In order to help you get to the front of the line – and to get your funds as soon as possible – here are a couple of steps that you should take now:

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## Practice Areas

Corporate

1. Gather payroll records for the past 12 months. Your payroll costs will serve as the basis for the maximum loan amount (i.e., 250% of these costs). The application likely will require documentation to justify the loan amount and to satisfy the other items that need to be verified. As a reminder, these costs include not only salaries and wages, but also expenses for paid leave, health care, and other benefits.
2. Reach out to lenders. All SBA-certified lenders will be authorized to make PPP loans. In addition, it is expected that the Treasury Department will authorize nearly all FDIC-insured lenders to participate in the program. While banks may not have a lot of answers at the moment, it may be helpful to contact your bank to (i) confirm that they are SBA-certified and are participating in the PPP, and (ii) learn whether there are any initial steps that could be taken to expedite the process (such as providing ownership information or related documentation to satisfy “know your customer” or other requirements). In fact, businesses may want to reach out to a few different lenders so that they have options to choose from, since lenders likely will have different processing times and requirements.

We will post an update as soon as the regulations are issued.

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