

# PAYCHECK PROTECTION PROGRAM (PPP)

Applying through your lender for a PPP loan 100% guaranteed by the U.S. Small Business Administration

## ADVOCACY FAQ SHEET: APPLYING FOR LOANS

### FIND AN ELIGIBLE LENDER

#### WHAT IS THE PAYCHECK PROTECTION PROGRAM?

Created by the CARES Act, this program provides low-interest loans of up to \$10 million—issued by private lenders and guaranteed by the U.S. Small Business Administration (SBA)—that can be forgiven if borrowers meet certain requirements.

#### WHAT TYPES OF COOPERATIVES ARE ELIGIBLE?

SBA's Interim Final Rule clarified that many co-ops are eligible for PPP loans, including agriculture, purchasing, consumer food, and worker co-ops. Co-ops organized as 501(c)(3)s are also eligible. NCBA CLUSA continues to work with the entire cooperative community to ensure all cooperatives are eligible for this critical assistance.

#### WHO ADMINISTERS THE LOANS?

PPP loans are administered by private lenders and 100 percent guaranteed by SBA.

#### HOW CAN I APPLY?

PPP is administered through private lenders that are enrolled in SBA's Preferred Lending Partners Program, Farm Credit System and federally-insured credit unions. You can find eligible lenders here: <https://www.sba.gov/paycheckprotection/find>

#### WHAT CAN PPP LOANS BE USED FOR?

- Payroll, including wages, paid leave, group health care payments, retirement benefits, and state or local tax assessed on the compensation of employees
- Rent
- Mortgage interest obligations, but not prepayment or payment of principal mortgage obligations
- Utilities
- Interest on any other debt incurred before the covered period



**THE PPP LOAN APPLICATION ASKS FOR A LIST OF OWNERS WITH 20% OR GREATER. HOW SHOULD MY CO-OP COMPLETE THIS SECTION?**

Co-ops can include the name of their cooperative on this line to proceed with the application. Then, include ownership information about your co-op as an addendum to the application.

**DOES PPP REQUIRE A PERSONAL GUARANTEE?**

No. The personal guarantee and collateral requirements are waived for this program.

**WHAT ARE THE TERMS OF THIS LOAN?**

PPP loans will be determined by calculating 2.5 times the average monthly payroll, with the maximum loan amount being \$10 million. Interest on PPP loans cannot exceed 4 percent. Repayment of the loan is deferred for 6-12 months, and the term of the loan may not exceed 10 years.

**IS THIS LOAN FORGIVABLE?**

PPP loans are forgivable if employers maintain their payroll. The program is retroactive to February 15, 2020 to ensure that employees already laid off can be brought back on the payroll.

The amount forgivable is equal to the sum of the eligible costs incurred during the eight-week period compared to the previous year. Payroll costs plus mortgage interest payment plus covered rent obligations plus covered utility payments. Not more than 25% of the forgiven amount may be used for non-payroll uses.

**DOES FORGIVENESS HAPPEN AUTOMATICALLY?**

No. You must apply for forgiveness through your lender and provide documentation that you maintained payroll and used the funds only for eligible uses.

**CAN PPP BE COMBINED WITH AN EIDL LOAN OR GRANT MY CO-OP RECEIVED?**

PPP loans may be combined with EIDL funds but may not be used for the same purposes. EIDLs can also be refinanced into your PPP loan. Ask your lender for more information.

