

## **ADVOCACY FAQ SHEET**

### *Applying for the U.S. Small Business Administration's Paycheck Protection Program (PPP)*

#### **What is the paycheck protection program?**

PPP loans provides low-interest loans to businesses experiencing hardship as a result of the COVID-19 pandemic. Loans are issued by private lenders and guaranteed by the U.S. Small Business Administration (SBA) and may be up to 100% forgiven if borrowers meet certain requirements.

#### **What types of cooperatives are eligible?**

All cooperatives are now eligible for PPP loans, including agriculture, purchasing, consumer, worker, and housing cooperatives. Co-ops organized as 501(c)(3)s are also eligible.

The Consolidated Appropriations Act of 2021 made certain hard-hit businesses eligible for a second PPP loan. Second draw PPP loans will be the lower of 2.5X the borrowers' monthly payroll or \$2 million. For certain food businesses, the payroll multiplier is 3.5X monthly payroll.

To be eligible for a second draw, borrowers must

- Have 300 or fewer employees
- Provide gross receipts during any quarter of 2020 that demonstrate at least a 25% reduction from gross receipts of that same quarter in 2019.
- Demonstrate continued economic uncertainty that makes the loan necessary

#### **How can my co-op apply?**

PPP loans are administered by private lenders and 100 percent guaranteed by SBA. Co-ops can seek loans from participating lenders, including participating credit unions, banks, Farm Credit lenders, and Community Development

Financial Institutions. You can find eligible lenders here: <https://www.sba.gov/paycheckprotection/find>.

**What can PPP loans be used for?**

- Payroll, including wages, paid leave, employer health benefits (including group life, disability, vision and dental), 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
- Covered operations expenditures, including cloud computing or business software
- Covered property damage resulting from public disturbances in 2020
- Covered supplier costs
- Covered worker protection expenses

**The PPP loan application asks for a list of owners with 20 percent 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. The term of the loan may not exceed ten years.

**Is this loan forgivable?**

PPP loans are forgivable if employers maintain their payroll and use loan proceeds toward eligible uses. 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 covered period compared to the previous year. The forgiven amount is not considered taxable income to the borrower.

**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. EIDL Advances (or grants) of up to \$10,000 do not need to be repaid. Ask your lender for more information.