

Five Steps to an Emergency Small Business Coronavirus Loan

Akin Gump
STRAUSS HAUER & FELD LLP

Step 1. Does my business qualify?

- Were you in business on February 15, 2020?
- Does your business have at least one but no more than 500 employees or do you meet the applicable SBA size standards for your industry?
- Have you faced economic uncertainty as a result of the COVID-19 pandemic?
- Will you use the loan to maintain payroll and other business obligations?
- Will you decline to take the “Employees Retention Tax Credit for Employers?”



If the answer to all of the questions above is “yes,” keep reading.

Step 2. How much of a loan can I get?

First, check your payroll records to see how much you paid in total over the past 12 months:

- Salary, wages, tips, and commissions (no more than \$100,000 per employee)
- Payments for group health insurance and retirement programs like 401(k) plans
- Payments to the state unemployment insurance fund



Second, take that total number, divide by 12, and multiply this result by 2.5. This is your loan amount. The loan cannot be more than \$10 million.

Step 3. For what can I use the loan money?

You can use the loan proceeds to pay your employees, pay health insurance premiums, pay rent, pay utilities, and pay interest on any debts your business had before February 15, 2020.



Step 4. Do I have to pay the loan back?

If in the eight weeks after the loan is issued, the following is true, the loan will be entirely forgiven:

1. All loan proceeds have been spent on allowable expenses, and no more than 25 percent of the money has been spent on non-payroll allowable expenses (like rent), AND
2. You have maintained the same number of employees you had previously, and none of your employees have received a pay cut of more than 25 percent compared to their historical compensation.



*If you are required to layoff employees or reduce payroll during the eight week period, only a portion of your loan may be forgiven. Any portion of the loan that must be paid back will be at an interest rate of 1.0 percent over a two year term with the first payment being deferred six months after such determination is made.

Step 5. How do I apply?

Any bank or credit union will be able to offer these loans, and most will. All you need to do to apply is go to them with proof you were in business on February 15, 2020 and provide evidence of your payroll expenses (as defined in Step 2) for the 12 months leading up to the application. You should be able to get a loan disbursed to you the same day. Deadline is June 30, 2020. Application can be found here: [Paycheck Protection Program Application Form](#).

