

# Paycheck Protection Program — Updates

## What Child Care Programs Need to Know

June 17, 2020

In March, Congress created the Paycheck Protection Program (PPP) which is designed to help small businesses—like your child care center or family child care home—maintain payroll and benefits for employees and cover overhead costs like rent, utilities, and mortgage interest.

On June 5th, Congress passed the “Paycheck Protection Program Flexibility Act” (PPPFA) to provide borrowers with more flexibility in spending and more time to use and pay back the loans.

NAEYC has updated this document to reflect the new, updated terms of the PPP. The original terms are not in this document to avoid confusion.

If you have not applied for the PPP, you have until June 30, 2020. If you apply between June 5 and June 30, 2020, your PPP loan will automatically have the more flexible terms.

If you have already received PPP funds but have not already applied for forgiveness, your loan is eligible for the more flexible terms detailed in this brief but you must contact your lender and mutually agree to update your loan terms.

### Key Facts You Need to Know

- PPP loans require no collateral or personal guarantees by the SBA. This means you don't have to put up your house, your automobile, or any other assets to collateralize the loan. If someone says you do, tell them you know for a fact the US government is not requiring any collateral on these loans.
- You must use at least 60% of the loan for employee payroll, hiring, or rehiring employees.
- The program is on a first come, first served basis, so apply as soon as you are ready.

### Am I Eligible to Apply?

- Are you the owner of a child care center or the sole proprietor of a family child care home with fewer than 500 employees?
- Are you self employed or an independent contractor?

If you answered **YES** to either of these questions, then you are eligible to apply! You can be for-profit or nonprofit. You can also work in a religious setting; the overall religious organization is eligible as long as the loan is used only for the costs of their child care center.

### THE FINE PRINT

- Your company must be 81%+ owned by US citizens or lawful permanent residents (sole proprietors, self-employed people, and independent contractors must themselves be US citizens or lawful permanent residents). You may be required to provide a social security number with your application.
- Everyone (owners, employees, self-employed providers) being covered by the loan has to have a permanent residence in the United States (meaning that pay stubs and tax filings for employees go to a US address).
- Your company must have been in existence prior to February 15, 2020.

## What is a PPP loan?

A PPP loan is a way to help you pay some of your bills when you don't have income coming in from families or child care subsidy payments. It starts as a low-interest loan that can be largely, if not completely, forgiven (meaning you don't have to pay it back). It will be provided in the amount of 2.5 times your average monthly payroll for the last 12 months, up to \$10 million. It covers 8 weeks worth of expenses and can be spent during the 24 week period following the loan being issued by the bank (up to, but not past, December 31, 2020).

The loans come from a \$349 billion fund created by the CARES Act, signed into law on March 27, 2020, under the SBA Section 7a loan program where the SBA guarantees loans that are administered through SBA partner lenders. (You may hear the program referred to as a 7a loan.)

Here's how it works: once you've provided the necessary documents to the bank (who will become your lender; see page 6 to see what information you may need), the bank can issue a loan, with conditions, for 2.5 months' worth of payroll.

- If you're not sure how much your qualifying monthly expenses are, start by reviewing the conditions below on what can be included as qualifying expenses from your payroll and benefits. You can also double-check with the person you are working with at the bank to confirm the exact amount per month that you spend.
- The lender will calculate your monthly payroll by taking the last 12 months of payroll and dividing by 12. (Note that payroll costs can be calculated by including the costs of most benefits paid by the employer in addition to the actual pay provided to the employees.)
- The lender may also verify your payroll as of February 15, 2020, and you should be prepared to provide payroll processor documents from January 1, 2019, through the current date.
- The bank will charge a small fee for the loan (no more than 3% of the cost of the loan).

## What Do I Have To Do To Get the PPP Loan Forgiven?

The best way to ensure your loan is forgiven for **up to eight weeks of qualifying expenses** is to

- maintain the wages of your employees
- use at least 60% of the loan money on payroll and benefits, which can include
  - » Up to \$100,000/year for your salary (if you're a sole proprietor) and each employee's salary up to \$100,000 per year
    - › You cannot include the costs of paying an independent contractor because the independent contractor may separately apply for the PPP program.
  - » Paid leave, sick leave, medical leave, and family leave for each employee or owner
  - » The share of any healthcare benefits you paid for yourself or for employees, including insurance premiums
    - › This does NOT count if you were reimbursing the employee for their insurance costs. It has to be payments you made directly to a healthcare provider as part of an employer benefit.
  - » The share of any retirement benefits you paid for yourself or for employees
    - › These benefits must be paid directly to the company handling your company's retirement accounts for your employees.
  - » Severance pay for any employees who were let go
  - » The amounts of state and local payroll taxes you paid on your own compensation or on employee compensation

### THE FINE PRINT: CONDITIONS FOR FORGIVENESS

- To qualify, you must keep employees at the same wages for the covered period after you get your loan.
- If you hire new employees or rehire those who have been laid off (which you can do), everyone must be paid at the same rate as in the payroll documents submitted for the loan.
- If you took tax credits or money from the first coronavirus legislation to give your employees sick or family leave in the case of coronavirus-related health issues, you can't claim that amount for the loan.
- While you can have more than one loan from the SBA, you can't use funds from another SBA loan to pay for payroll AND use these funds for payroll. The funds for payroll have to be covered by your PPP loan—you can't "double dip."

## EXAMPLES

An early childhood educator makes \$25,000/year (including benefits), and the program owner makes \$50,000/year (including benefits). The bank will say the monthly payroll is \$2,083 (\$25,000/12) plus \$4,166 (\$50,000/12), which equals \$6,249. The bank will then loan you \$15,623, which is 2.5 times the monthly payroll of \$6,249. You will need to spend at least \$9,373 (60% of the loan amount) on payroll, leaving you \$6,249 (40% of the loan amount) to spend on other items, defined as mortgage interest, rent, and/or utilities.

If you're a family child care sole proprietor or are self employed, you can get your eight weeks worth of payroll of up to \$100,000/year as long as you pay yourself in the 24 weeks after you get your loan. If you actually make \$100,000/year, that would mean your monthly salary would be \$8,333 and your loan would be \$20,833 (monthly salary x 2.5). This would enable you to maintain your salary and have loan money left over for mortgage interest, rent, and/or utilities — all of which is forgivable.

If the bank gives you \$125,000 in a loan, that means you have to keep/hire/rehire staff so that your total payroll for the next eight weeks is at least \$75,000. The extra \$50,000 is for you to spend on mortgage interest, rent, and/or utilities. If you don't maintain that high a payroll or you reduce wages on anyone by more than 25%, you will owe the difference in your payroll costs back to the bank, plus interest.

### WHAT WOULD CAUSE MY LOAN FORGIVENESS TO BE LOST?

- Your loan forgiveness will be reduced if you decrease your employee payroll amount—in other words, it's not the number of people but the amount spent on payroll that matters.
- Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee who made less than \$100,000 (annualized) in 2019.

## What If I Need To Cover Costs Besides Payroll?

You must spend at least 60% of the loan on payroll for the loan to be forgiven. But you can also spend up to 40% of the forgivable loan on other items:

- **The interest on any business mortgage**, as long as you had that mortgage before February 15, 2020. Note that amounts you spend on mortgage principal cannot be forgiven.
- **The interest on any other long-term debts** that you had an agreement on before February 15, 2020; e.g., if your company leased a van, the interest on the auto loan is covered.
- **The rent on any business property**, as long as you had that lease agreement before February 15, 2020.
- **Utilities** (water, gas, electric, transportation, telephone, or internet) for which you had existing accounts on February 15, 2020.

NOTE: When you sign the loan application you have to commit to an intention to use 60% of the loan for payroll. You can use some of the money for other expenses outside of the purposes listed above, but you'll have to pay that money back to the bank. Starting at the end of your "covered period" (the 24 week window), you have 10 months to apply for forgiveness. Any funds that are not forgiven must be paid back at an interest rate at 1% within five years.

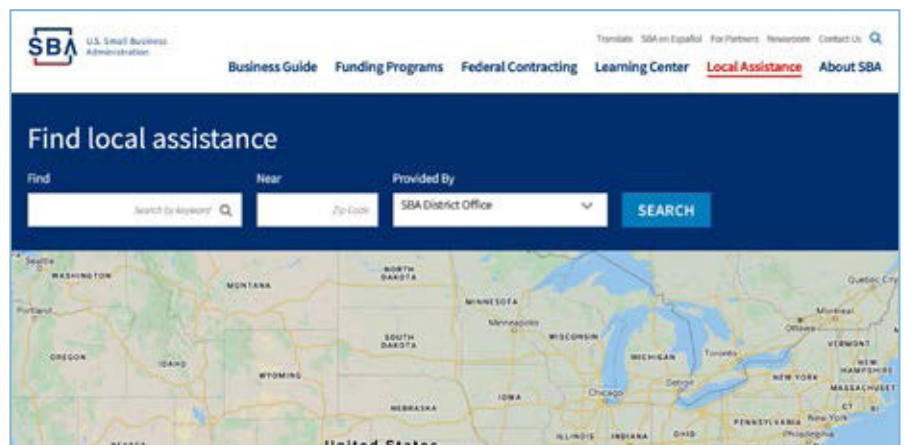
## Topics to Flag for Your Lender

- The PPPFA has broad legislative language for regulations that the SBA has not yet provided guidance on (as of June 18, 2020). Two things to ask your lender about:
  - » Ask about "headcount" exemptions related to payroll and the number of employees you're paying during the 8 week period.
  - » Ask about the "deferral of Employment Taxes." The original Paycheck Protection Program did not allow recipients to defer employment taxes and still receive forgiveness. This looks to have changed, but make sure you discuss all the conditions and any new regulation interpretations with your lender.

## Where Do I Get a PPP Loan?

PPP loans are provided by certain approved banks and lenders. These lenders have to be approved by the US SBA. Here are some steps to take to find a bank to make you the loan:

- First, go to **your** bank and ask them if they are participating in this program. If they are, that's great because (a) they already know you and may have some of your information already on file and (b) due to unprecedented volume levels, most banks are only accepting PPP applications from their existing clients.
  - » If you don't have a bank already, that's okay. Go to the step below, where you can find lenders at [www.sba.gov](http://www.sba.gov).
- *If your bank says they are not participating*, ask them if they can refer you to someone else who is. Not every bank or credit union can or will make this type of loan. Don't get discouraged—there's a good chance there is a bank in your area that will make this loan to you.
- *If your bank can't refer you to a lender*, you can find a lender yourself.
  - » Go to [www.sba.gov](http://www.sba.gov), click the **Local Assistance** tab, and type in your zip code. This will bring up a list of organizations.
  - » Select the **SBA District Office** that comes up on that list and visit that district office's webpage. You should see a link, near the bottom of the page, to the District Office Resource Guide, which will have a list of "7(a)" lenders. That is the list of lenders to reach out to.
- You may also be able to apply online, though not all online lenders are qualified. Check an online bank like [Kabbage](#) to start.



## When Can I Apply for the PPP Loan?

Banks can start filing these loans for consideration by the SBA now for businesses and April 10 for independent contractors. Reach out to a lender now so you can get all the paperwork together that they will request. You have until June 30, 2020, to apply but we recommend you apply soon because the money will go fast!

## How Does a PPP Loan Intersect with Unemployment Insurance?

Early childhood education is a low-wage field, and unemployment insurance amounts vary state by state. There is an additional \$600 per week from the federal government for unemployment insurance through July 31, 2020 included as part of the same CARES Act that authorized this PPP loan. Small businesses need to make difficult decisions about what is best for their employees and their businesses, in the shorter and longer terms. Unemployment insurance has its place, as does the Paycheck Protection Program, which is about both helping businesses pay salaries and keeping them in existence so that staff and owners have a business to return to after this global health crisis ends. Remember, if you decide to hire or rehire someone, or if you are using PPP to pay for your own salary as a sole proprietor in family child care, you or that person can no longer claim unemployment insurance for the time spent on payroll.

## How Does a PPP Loan Intersect with an Economic Injury Disaster Loan (EIDL)?

You can apply and be approved for both of these SBA loan programs. The EIDL is a low-interest loan that can help you cover existing expenses, particularly those outside of payroll costs; it also includes things like mortgage principal, which the forgiveness part of the PPP will not cover.

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### Need Additional Help?

You may find some or many parts of this process frustrating or confusing. It's okay—there are resources out there to help you!

- The SBA has district offices across the country; try reaching out to the one closest to you that you found when you downloaded the resource guide.
  - Alternatively, try getting a business counselor from SCORE ([www.score.org](http://www.score.org)), a Small Business Development Center (SBDC — [americassbdc.org](http://americassbdc.org)), or a Women's Business Center (WBC — [www.awbc.org](http://www.awbc.org)) who can help you with any or all aspects of this process!
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Keep reading to review the sample document you can use to help you get ready for your meeting with the lender. The more complicated areas are explained, but make sure you can obtain the needed information to fill in all the sections for your loan application.

The information in this document may change subject to additional legislation and/or guidance from Congress and the SBA. This document is for informational purposes only and should not be considered legal advice.

# Applying for a PPP Loan in Five Steps

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## 1: Find a Bank

- Start with your bank, if you have one, and ask them if they are making PPP loans.
- If your bank isn't, or if you don't have a bank, use the steps described above to find a bank that does make PPP loans.
- After you've found one, ask what information they require for the loan application.

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## 2: Get Your Information Together

- Try answering all the fields in the sample bank application below to see what you're missing/what you might not know off the top of your head.
- The application document includes definitions for the terms used on the sheet.

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## 3: Gather Documents

- The bank will need documents to validate each question on the bank's application. They are likely to include
  - » You and your business's latest tax filing (2018 or 2019—if you have both, that's good too)
  - » State and local payroll tax documents for 2019 and the beginning of 2020
  - » State certification of business ownership documents (certificate of organization, articles of incorporation)
  - » Name, title, ownership percentage, employer identification number (EIN) and/or social security number (SSN), and address of any businesses/people who own more than 20% of the firm (if applicable)
  - » You may also need forms such as health care information and 1099s for independent contractors
- If you are applying through an online system, you may need to save these documents as PDFs on a computer so the file sizes are not too large to upload.

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## 4: Fill Out the Forms

- The bank will send you forms to complete, or they will be available online to fill out.
- If you can't find an answer to a question, ask your accountant (if you have one) or the lender (if you don't) what documents might have the information they're looking for—it's okay to do that.
- SBA counselors can also help you find the right documentation to answer the bank's questions.

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## 5: Wait

- Once you've given the bank all the information they need, the bank will determine if you're a good candidate for the loan.
- If the bank (and the SBA) say yes, congratulations! You got the loan and the bank can tell you when you'll get the money.
- If the bank says no, you can try another bank. There is a chance the SBA will be the one saying no to the loan, in which case you may not be eligible, but you should still try with another bank if you can because it may be that the bank just didn't want to make the loan.





### Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407  
Expiration Date: 09/30/2020

**1** **Check One:**  Sole proprietor  Partnership  C-Corp  S-Corp  LLC  
 Independent contractor  Eligible self-employed individual  
 501(c)(3) nonprofit  501(c)(19) veterans organization  
 Tribal business (sec. 31(b)(2)(C) of Small Business Act)  Other

**2** **DBA or Tradename if Applicable**

**3** **Business Legal Name**

**4** **Business Address** **Business TIN (EIN, SSN)** **Business Phone**  
 ( ) -

**5** **Average Monthly Payroll:** \$ x 2.5 + EIDL, Net of Advance (if Applicable) \$ **Number of Employees:**

**6** **Purpose of the loan (select more than one):**  Payroll  Lease / Mortgage Interest  Utilities  Other (explain):

#### Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

If questions (5) or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole? Initial here to confirm your response to question 5 → _____	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 → _____	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the United States the principal place of residence for all employees of the Applicant included in the Applicant's payroll calculation above?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the Applicant a franchise that is listed in the SBA's Franchise Directory?	<input type="checkbox"/>	<input type="checkbox"/>

- This form assumes you're applying as a business. If you're not (because you're a nonprofit, an independent contractor, or selfemployed) select that box.
- If you filed a "Doing Business As" name or tradename with your state, put it here; otherwise, ignore.
- Business Legal Name is the name you filed on your business paperwork with the state/on the tax return.
- Use the address filed with the state on your business paperwork.
- Add all your payroll for the last 12 months, listing anyone paid over \$100k, at only \$100k and divide by 12.
- Choose all that apply, especially payroll assuming you are using the funds for payroll.
- If you have multiple owners or a business owns a part of your company, fill in each owner who owns more than 20%.



### Paycheck Protection Program Borrower Application Form

**By Signing Below, You Make the Following Representations, Authorizations, and Certifications**

CERTIFICATIONS AND AUTHORIZATIONS

I certify that:

- I have read the statements included in this form, including the Statements Required by Law and Executive Orders, and I understand them.
- The Applicant is eligible to receive a loan under the rules in effect at the time this application is submitted that have been issued by the Small Business Administration (SBA) implementing the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (the Paycheck Protection Program Rule).
- The Applicant (1) is an independent contractor, eligible self-employed individual, or sole proprietor or (2) employs no more than the greater of 500 or employees or, if applicable, the size standard in number of employees established by the SBA in 13 C.F.R. 121.201 for the Applicant's industry.
- I will comply, whenever applicable, with the civil rights and other limitations in this form.
- All SBA loan proceeds will be used only for business-related purposes as specified in the loan application and consistent with the Paycheck Protection Program Rule.
- To the extent feasible, I will purchase only American-made equipment and products.
- The Applicant is not engaged in any activity that is illegal under federal, state or local law.
- Any loan received by the Applicant under Section 7(b)(2) of the Small Business Act between January 31, 2020 and April 3, 2020 was for a purpose other than paying payroll costs and other allowable uses loans under the Paycheck Protection Program Rule.

For Applicants who are individuals: I authorize the SBA to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

CERTIFICATIONS

The authorized representative of the Applicant must certify in good faith to all of the below by **initialing** next to each one:

- \_\_\_\_\_ The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.
- \_\_\_\_\_ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- \_\_\_\_\_ The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.
- \_\_\_\_\_ The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.
- \_\_\_\_\_ I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.
- \_\_\_\_\_ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program.
- \_\_\_\_\_ I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- \_\_\_\_\_ I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

\_\_\_\_\_  
Signature of Authorized Representative of Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

This is the application form from the SBA. The bank you use may use a different application form.