

# Next Steps for Small Businesses Applying for the Paycheck Protection Program

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The Small Business Administration (SBA) has released a [sample application](#) for the Paycheck Protection Program (PPP). The PPP is one of the most significant features of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the PPP, small businesses, nonprofits, sole proprietorships, independent contractors and self-employed individuals are eligible for loans of up to \$10 million. A key provision of the PPP is that if the borrower meets certain requirements relating to the retention and payroll of its employees, all or a portion of the loan will be forgiven. You can read about the CARES Act and the SBA loan program in more detail [here](#).

## What You Need to Know

**Speed Matters:** Start the application process as soon as possible. The SBA's Information Sheet states that "**we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan.**"

**When Can I Apply?** Small businesses and sole proprietors can apply beginning on **April 3, 2020**. Independent contractors and self-employed individuals can apply beginning on **April 10, 2020**.

**Where to Apply:** You can apply through an approved SBA lender. Contact your bank to determine if it is an SBA lender for this program. If not, ask your banker to recommend an approved lender to process your application.

**Term of the Loan:** The term is two years (down from up to 10 years) and the first payment will be deferred for six months.

**Interest Rate:** The interest rate is 0.50 percent (down from up to 4 percent).

**Amount Eligible for Forgiveness:** The SBA's Information Sheet states that due to the expected high demand for the loan program, at least 75 percent of the desired forgiveness amount should be

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used for payroll costs during the eight-week period after the loan is originated.

## **Next Steps: Plan Ahead and Be Prepared**

Make sure you have lined up all the signatories. The loan application must be signed by the applicant and each person or entity owning more than a 20 percent interest in the applicant's business. This means the application must be signed (i) for a partnership, by all general and limited partners owning 20 percent or more; (ii) for limited liability companies, by all members owning 20 percent or more; and (iii) for corporations, by all shareholders owning 20 percent or more.

If you are working with a new lender, confirm that your existing loan documents do not prohibit a new loan or require the consent of your existing lender.

You should also gather the following documents, bearing in mind that the final process may require information beyond the items below:

- Organizational documents such as operating agreements, shareholder agreements, partnership agreements and articles of incorporation
- Payroll records for 2019 and January 1 – April 1, 2020 (including IRS Form 941 for all four quarters of your 2019 payroll, health insurance premium information for 2019, state and local taxes for 2019, and retirement plan contributions for 2019)
- A computation of employees as follows:
  - Average monthly number of total employees (including full- and part-time) for the one-year period ending on March 31, 2020
  - Current number of total employees (full- and part-time)
  - Average number of full-time employee equivalents per month from February 15, 2019 to June 30, 2019
  - Average number of full-time employee equivalents per month from January 1, 2020 to February 29, 2020
- Mortgage or rent statement
- Recent utility bills

It is expected that the SBA will issue further guidelines.

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