

NAR has been working closely with Congress and the Administration to ensure the interests of REALTORS® and their clients are protected in any federal action in response to COVID-19. Many REALTORS® are small businesses, or work with them as clients. In the first relief package passed into law in April 2020, the "Coronavirus Aid, Relief, and Economic Security Act" or CARES Act, there were significant provisions aimed at assisting small businesses during this difficult time. The CARES Act appropriated more than \$360 billion total for new Small Business Administration (SBA) programs - the 7(a) Paycheck Protection Program loans and the Economic Injury Disaster Loans (EIDL) advance grants program; follow-up legislation in April added an additional \$370 billion (\$310 billion for PPP and \$60 billion for EIDLs) to meet demand for the loans.

In June the "PPP Flexibility Act" was signed into law, increasing flexibility for borrowers in how they can use their PPP loans. It lowered the amount required for payroll costs from 75% to 60% and lengthened the period to use it from 8 to 24 weeks, through at the latest December 31. It also increased the repayment period from 2 to 5-years for loans made after June 5 (borrowers who received PPP loans before that date can request a longer repayment period from their lenders). The SBA released new guidance and two updated forgiveness forms for PPP reflecting these changes, including an "[EZ Application](#)" for businesses with no employees or that meet certain other criteria, which you can read about below. Watch the [PPP Extension and New Loan Forgiveness Rules](#) and [How to Complete the PPP Loan Forgiveness Application Form 3508EZ](#) videos to learn more.

This document provides a number of Q&As to address frequent questions about what these programs are, who is eligible and how to apply. [Also view this info graphic for differences between the two programs.](#)

NOTE: The PPP application deadline was extended to August 8, 2020; however, Congress did not pass another extension of the program before adjourning for its August in-district session. The EIDL Advance Grant funding was exhausted in July. As of August 31, new applications are not being accepted for either PPP loans or EIDL advance grants, but the EIDL loan program is still open. NAR is strongly advocating extending both programs with more funding in the next COVID-19 relief package Congress passes.

Contents

What is the SBA 7(a) Paycheck Protection Program?	2
Who is eligible for the SBA 7(a) Paycheck Protection Program?	5
How do I apply for the SBA 7(a) Paycheck Protection Program?	6
What is an SBA Economic Injury Disaster Loan (EIDL) and EIDL Grant?	9
Who is eligible for an EIDL Loan and EIDL Grant?	12
How do I apply for an EIDL Loan and EIDL Grant?	12



What is the SBA 7(a) Paycheck Protection Program?

1. What relief can small businesses get through the SBA 7(a) Paycheck Protection Program?

The SBA 7(a) Paycheck Protection Program loans (**PPP loans**) are intended to cover expenses for a business during any 24-week period between February 15, 2020 and December 31, 2020 (borrowers who received loans before June 5 can opt for either an 8- or 24-week period). They can be used for payroll costs, rents, mortgage interest, and utilities.

Businesses can get the lesser of either 2.5x the average monthly payroll expenses they had for the year prior to the loan or \$10 million dollars. When calculating payroll expenses, individual employee salaries are capped at \$100,000 (prorated per month). Independent contractors must base their loans on their 2019 net earnings, as shown on their 2019 Form 1040 Schedule C, line 31.

NOTE: As of August 8, 2020, lenders are no longer accepting new applications for PPP loans. NAR is strongly advocating another extension of the program with more funding in the next pandemic relief package Congress passes.

2. What is included in “payroll expenses” for purposes of the 7(a) PPP loans?

Payroll expenses under the CARES Act are the sum of:

- Salary, wage, or commission;
- Cash tips;
- Payment for leave;
- Dismissal or separation allowances;
- Group health care benefits payments (including insurance premiums);
- Retirement benefit payments;
- State or local tax on the compensation of employees;
- The income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation.

Payroll expenses under the CARES Act do *not* include:

- Taxes withheld by the IRS under Chapters 21, 22, or 24;
- Compensation to employees who live outside of the U.S.; or
- Sick leave/wages for which they've already received a credit under the Families First Coronavirus Response Act.

3. Are there loan fees for the SBA 7(a) PPP loan?

No. The SBA is waiving ordinary application fees for the 7(a) PPP loans.

4. Is any portion of the SBA 7(a) loan forgivable?



Yes, up to 100% of the 7(a) PPP loans are forgivable. Small businesses with employees and independent contractors have different forgiveness specifications though.

Small businesses with employees must put the loan money toward an eligible use, with at least 60% of the total

amount going toward payroll costs, and keep the same number of employees on staff. If the percentage of the loan used for payroll costs is less than 60%, or if the number of employees is reduced/salary levels are reduced by more than 25%, the amount of the loan eligible for forgiveness is lowered. However – there is an exception: you will not be penalized for a reduction in employee numbers if you restore employee numbers by December 31. **(This paragraph reflects the changes in the PPP Flexibility Act, signed into law June 5.)**

[The U.S. Chamber of Commerce has put together a helpful guide for small businesses, which includes the calculation businesses can do to determine their loan amounts and forgiveness eligibility under the program, which you can access here.](#)

Eligible uses for a 7(a) PPP loan are:

- Payroll costs;
- Continuation of group health care benefits;
- Employee salaries, commissions, or “similar compensations”;
- Payments of interest on any mortgage obligation;
- Rent;
- Utilities; and
- Interest on any other debt obligations that were incurred before the covered period (beginning February 15, 2020).

Independent contractors are eligible to have an amount equal to an 8-week share of their 2019 net profit automatically forgiven under the program (as shown on their IRS Form 1040 Schedule C, Line 31, and capped at \$15,385).

The SBA released [updated interim final rules](#) for PPP forgiveness reflecting the PPP Flexibility Act on June 17.

5. What if a portion of my 7(a) PPP loan is not eligible for forgiveness?

SBA 7(a) PPP borrowers whose loans are not eligible for 100% forgiveness have two years (if the loan was made prior to June 5) or five years (if the loan was made after June 5) to repay the loan, at an interest rate of 1%. Borrowers that received loans before June 5 can request the longer repayment period from their lenders, but it is not applied automatically. The remaining loan balance after forgiveness is 100% guaranteed by the SBA.

6. Will forgiven loan amounts be counted as income for tax purposes?

No. Any forgiven loan amounts under the SBA 7(a) PPP program will not count as income.

7. What documentation will I be required to provide to qualify for forgiveness?

The SBA and the Treasury have released three forgiveness application forms: the [Form 3508S Forgiveness Application](#) (released October 8 for borrowers of \$50,000 or less), the “[EZ Forgiveness Application](#)” and a “[Full Forgiveness Application](#).”

[Form 3508S Forgiveness Application](#): This is a streamlined, 1.5 page application for borrowers that:

- Have a total PPP loan amount of \$50,000 or less.

This application requires fewer calculations and less documentation for eligible borrowers. They must certify that they used their loan amount in accordance with the PPP requirements, and provide documentation verifying their payroll and nonpayroll costs that the loan was used for.

Additionally, borrowers who qualify for and submit this application form are exempt reductions in loan forgiveness amounts based on reductions in full-time equivalent employees or in salaries or wages.

[Read the Form 3508S instructions here.](#)

[EZ Forgiveness Application](#): This is a streamlined application for borrowers that:

- Are self-employed and have no employees; OR
- Did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the number or hours of their employees; OR
- Experienced reductions in business activity as a result of health directives related to COVID-19, and did not reduce the salaries or wages of their employees by more than 25%.

The application requires fewer calculations and less documentation for eligible borrowers, and includes instructions for filling it out. Independent contractors with no employees are eligible to have the full amount of their PPP loans automatically forgiven in owner-compensation (up to \$20,833 based on the max \$100,000 in net earnings from 2019) if they opt for the 24-week covered period under the new application form.

[NAR has an instructional video available for the EZ Forgiveness Form, which you can view here.](#)

Full Forgiveness Application: This is the application form for all other PPP borrowers. It has four components: (1) the PPP Loan Forgiveness Calculation Form; (2) the PPP Schedule A; (3) the PPP Schedule A worksheet; and (4) the (optional) PPP Borrower

Demographic Information Form. All borrowers must submit the PPP Loan Forgiveness Calculation Form and the PPP Schedule A to their lenders.

The full forgiveness form includes instructions for borrowers, and is updated to reflect the changes in forgiveness requirements made by the PPP Flexibility Act on June 5 (importantly, the longer covered period of 24-weeks for new loans and the 60% payroll requirement).

8. Will I be audited by the SBA/Treasury before qualifying for forgiveness?

If you receive a PPP loan of \$2 million or more, yes; the Treasury Department announced in April that PPP loans of that size will be subject to auditing upon submission of an application for loan forgiveness. Further details on the audit process are forthcoming.

On May 13, the Treasury Department released updated guidance clarifying that smaller loans of less than \$2 million will not face the same heightened scrutiny when applying for forgiveness. It states that such borrowers will be deemed to have made the required good faith certification that such a loan was necessary. The agencies still have the ability to conduct audits on smaller loans though, so borrowers should be careful to retain all the proper records and report correct information on their forgiveness applications.

9. Will my loan information be publicly available?

The SBA and Treasury are releasing PPP loan and borrower information to the public. For loans at or below \$150,000, the agencies are releasing data by state which does not include the name of the borrower but does show the amount of the loan, the NAICS code for the borrower, and the number of jobs retained due to the loan. For loans above \$150,000, the business is named, and the range of the loan (e.g., \$2-5 million) is included. [You can find that information on the Treasury website here.](#)

Who is eligible for the SBA 7(a) Paycheck Protection Program?

1. Who is eligible for a PPP loan?

Small businesses that meet current SBA requirements, any business with 500 or fewer employees, sole proprietors, independent contractors, and “gig economy” workers qualify for the 7(a) PPP loans.

2. Did you say independent contractors are eligible to receive a PPP loan?

Yes, sole proprietors and independent contractors are eligible for the SBA 7(a) PPP loan program. They will have to provide documentation to prove eligibility, including payroll tax filings to the IRS, a 2019 IRS Form 1040 Schedule C, Forms 1099-MISC, and income and expenses from the sole proprietorship. They also need to supply their lender with documentation that they were in operation on or before February 15, 2020 – such as a bank statement, 2020 invoice, or book of record.

3. I am an employer who has full-time, salaried employees, as well as independent contractors working for me. Do I include the independent contractors in my headcount/payroll expenses?

No. On April 2, the SBA released its interim final rule on the SBA 7(a) PPP loans, [which you can read here](#). The rule clarifies that because independent contractors can apply for their own loans under the program (beginning April 10), they should *not* be included in the payroll or employee count calculations of other businesses.

4. Are franchises considered “small businesses”?

Franchises with 500 or fewer employees are eligible for the PPP loans. Franchises that are assigned codes in the [SBA'S Franchise Directory](#) are considered their own entity – so, those businesses will not need to combine employee numbers across all franchise locations.

5. How do you calculate employee count if you have multiple office locations?

Under the CARES Act, businesses with multiple physical locations that fall under the category of a hotel, restaurant, or bar covered by [NAICS Code 72](#) (“Accommodations and Food Services”) which has 500 or fewer employees *per physical location* may qualify for the SBA 7(a) loan program. However, if a single location has more than 500 employees than you may not qualify. **We are awaiting clarification on the SBA on this point.**

How do I apply for the SBA 7(a) Paycheck Protection Program?

1. When can I apply for a PPP loan?

NOTE: As of August 8, 2020, lenders are no longer accepting new applications for PPP loans. NAR is strongly advocating another extension of the program with more funding in the next pandemic relief package Congress passes.

Beginning April 3, small businesses and sole proprietorships can apply for SBA 7(a) PPP loans with an approved SBA lender. Independent contractors and self-employed individuals can apply beginning April 10. We encourage you to apply as quickly as you can.

By April 16, the original funding for PPP loans from the CARES Act had been exhausted, and SBA lenders stopped taking new applications. On April 24, the President signed into law an additional \$310 billion appropriated by Congress for the program, and lenders were able to begin taking new applications/processing existing ones beginning Monday, April 27.

The PPP Flexibility Act, passed by Congress on June 3, extends the last date borrowers can use their PPP loans to December 31, 2020. On July 4, the President signed into law legislation extending the PPP application deadline to August 8, 2020. As Congress was unable to pass another COVID-19 relief package before adjourning for its

August district period, PPP applications are currently closed. NAR is advocating strongly for an extension of the program and further funding for it in future COVID-19 relief bills passed by Congress.

2. Where do I apply for a PPP loan?

SBA 7(a) PPP Loans are disbursed by SBA-approved lenders. Due to the circumstances of the COVID-19 crisis, the Administration has given the Treasury and the SBA the ability to grant temporary “SBA-lender status” to lenders that do not currently participate in the program, in order to process and disburse more loans in a short period of time. The SBA does not itself issue the loans, but guarantees them to the lender. You can find an application for the PPP program [here](#). Be aware that some banks will require their OWN form, and not the PPP form.

3. Where can I find an SBA lender?

You can call your bank or find SBA-approved lenders in your area [here](#). In addition, you can reach out to a Small Business Development Center or a Women’s Business Center (**see #11 below**) and they will provide free assistance and guide you to lenders.

The CARES Act also gives the Treasury and the SBA the authority to grant temporary SBA lender status to lenders that do not currently participate in the program, so the list of lenders will likely grow.

4. What documents will be required to get an SBA loan?

Applicants for the SBA emergency loans will need to provide minimal documentation to show financial hardship – a “good faith certification” that it needs the loan to continue operations, that the loan will be used for eligible expenditures (payroll, rent, mortgage interest, or utility payments), and that it has not already received SBA loans for these purposes.

For the 7(a) PPP loans, the borrower will need to provide documentation to calculate their average monthly payroll for the year prior to receiving the loan. Each lender has a specific list of documents necessary to complete the loan application, so be sure to ask your lender what is needed. For example, some lenders may require:

- 2019 and 2020 year-to-date payroll reports
- State income, payroll, and unemployment insurance filings
- TAX ID/EIN and complete ownership information
- For sole proprietorships, independent contractors, and other self-employed individuals, your 2019 Form 1040 Schedule C and your Form 1099-MISC.
- For sole proprietorships, documentation of the income and expenses from the sole proprietorship. For healthcare costs, all health insurance premiums paid by the business owner under a group health plan
- Your company retirement plan funding paid for by the company

5. I am an independent contractor with no employees. Does my own salary count as covered payroll for purposes of getting a 7(a) PPP loan for myself?

Yes. Independent contractors and sole proprietors are able to apply for the 7(a) PPP loans. The CARES Act explicitly states that “compensation to or the income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation” is eligible. These

individuals will need to provide documentation showing their average monthly income for the year prior, such as Form 1099-MISC or other supporting documentation, and their 2019 Form 1040 Schedule C when applying. The same rules apply for how the loans can be used.

6. I have filled out an application for an SBA loan, but I can't find a lender who will accept it. Now what?

These programs expanded rapidly under the CARES Act, and many lenders are limiting borrowers to existing business clients. NAR encourages REALTORS® to reach out to multiple lenders. We expect more financial institutions to begin lending under this program in the coming weeks. Keep trying and reaching out to lenders. A list of existing SBA lenders can be found [here](#). You can also reach out to your [local SBA office](#) for assistance.

7. Does the program still have funding?

As of July 22, there is still funding available for new PPP loans.

8. Can I apply for more than one SBA 7(a) PPP loan?

No; businesses are limited to one SBA 7(a) PPP loan. They will be assigned a taxpayer identification number (TIN) to ensure they do not receive multiple loans under the program.

9. Can I receive both a 7(a) PPP loan and an EIDL loan?

Yes, but there are some caveats. You can apply for both types of loans, but you must put them toward different expenses. In addition, if you receive an EIDL advance grant as well as an SBA 7(a) PPP loan, the amount of the advance will be subtracted from the amount forgiven under the 7(a) PPP loan.

10. Where can I get individual counseling on SBA loans and programs for small businesses?

The SBA has several options for in-person assistance to small businesses around the country. In addition to the SBA Regional and District Offices around the country, there is a network of Small Business Development Centers and Women's Business Centers, which provide counseling and training to small business owners, including assistance



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Coronavirus: SBA CARES Act FAQs

October 29, 2020

finding lenders and choosing the right loan products. [You can find information on the SBA's local assistance offerings here.](#)

11. I am hearing that SBA Lenders are only working with existing business clients; is that true?

In order to help the 7(a) PPP loans be distributed more efficiently, the CARES Act gives SBA lenders a fair amount of autonomy in administering the program. Due to the high volume of demand for these loans and some residual uncertainty as to the eligibility and documentation requirements for the SBA, many lenders are choosing to only work with existing business clients at this time. The CARES Act also gave the Administration the ability to give SBA lender status to lenders not currently participating in its programs, and is already accepting applications. Hopefully new lenders entering the arena will relieve the pressure on the existing lenders and help more businesses access the loan program.

We encourage members to reach out to multiple SBA lenders and to have your application and documentation of payroll expenses ready to submit.

12. Where can I find more information about the 7(a) PPP loan program?

[The Treasury Department's Paycheck Protection Program Information Sheet](#)

[SBA's Paycheck Protection Program Information Page](#)

[Treasury's Announcement on Updated PPP Forgiveness Application Forms, and Instructions](#) (Issued June 17)

[SBA and Treasury Department's FAQ on PPP](#) (Issued May 13)

[SBA's Interim Final Rule for Independent Contractor Requirements and Forgiveness](#) (Issued April 20)

[SBA's Interim Final Rule](#) (Issued April 15)

[SBA's Interim Final Rule reflecting the PPP Flexibility Act changes](#) (Issued June 17)

[NAR's PPP EZ Forgiveness Application Form Instructional Video](#)

What is an SBA Economic Injury Disaster Loan (EIDL) and EIDL Advance Grant?

1. What is an SBA EIDL loan and advance grant?

[SBA Economic Injury Disaster Loans \(EIDLs\)](#) are low-interest loans for small business that experience an economic hardship as the result of a declared disaster.

The EIDL advance grants are a new feature of the EIDL program. [SBA EIDL loans are available for small businesses during a declared disaster that have suffered economic harm.](#) The COVID-19 crisis has been declared an eligible disaster. The limit on these



loans is \$150,000 (as of May 7). Under the CARES Act, applicants can receive up to a \$10,000 advance on their EIDL loan, which disburses ahead of the full amount and is eligible for forgiveness. EIDL loans can be used to provide paid sick leave to employees unable to work due to COVID-19, maintaining payroll, meeting increased costs due to supply chain disruptions, rent or mortgage payments, and repaying debt obligations.

Unlike other disaster loan programs, they do not require physical damage to a business.

In order to meet the high demand for EIDLs, the SBA announced in April that it was capping the loans at \$150,000 per business, and that the advance grants would be \$1,000 per employee, with a maximum amount of \$10,000. **In July, the SBA's funding for EIDL advance grants was depleted, and it stopped accepting new applications. It is still accepting applications for the regular EIDL program however.**

While NAR understands the SBA's goals in reducing the loan and grant amounts, we are concerned that this dramatic change in the implementation of the programs will reduce their usefulness for many small businesses and disproportionately impact independent contractors who do not have employees. NAR has expressed these concerns to Congress and urged them to provide additional funding to the SBA loan programs in future COVID-19 relief bills in order to ensure that the programs can provide adequate funding and assistance to businesses in need during the crisis.

2. How much can a business receive from an EIDL?

Under the SBA's new guidelines, eligible small businesses can receive up to \$15,000 in unsecured EIDLs, based on their working capital needs (secured loans may be for higher amounts). The CARES Act includes a provision allowing small businesses to receive advances of up to \$10,000 (the EIDL grant) which will be disbursed ahead of the full EIDL amount; this grant amount is forgivable if used for an eligible purpose. The SBA's new guidelines clarify that borrowers can receive \$1,000 per employee in advance grant funds, capped at \$10,000. Unsecured EIDLs and the advance grants can be combined for a maximum total of \$25,000; the maximum loan amount for EIDLs (if secured) is \$150,000

3. Is any portion of an EIDL forgiven?

Yes. The EIDL advance grants amounts are eligible for forgiveness if the borrower spends them on:

- Paid leave;
- Maintaining payroll;
- Mortgage or rent payments;



- Repaying debt obligations that the business is unable to meet due to revenue loss; and
- Increased costs due to supply chain disruption.

4. How do I apply to have my EIDL advance grant forgiven?

The SBA has not released an application form or specific guidance regarding the EIDL advance grant forgiveness yet. Unlike PPP loans, EIDLs are not tied to an 8-week timeline, nor do they have requirements that a percentage of the funds go to any one use over another. Borrowers who receive an EIDL advance grant should keep clear records showing that they went toward one of the eligible uses (see #3 above) and be prepared to provide them to the SBA when they seek forgiveness.

This will be updated once the SBA releases its guidance or any specific forms for EIDL forgiveness.

5. What are the terms for the portion of an EIDL that is not eligible for forgiveness?

EIDL terms are for 30 years, and interest rates are capped at 3.75% for small businesses (2.75% for non-profits). The first month's payments are deferred a full year from the date of the promissory note.

The CARES Act makes additional provisions to assist borrowers who are utilizing EIDLs due to the COVID-19 crisis:

- EIDLs can be approved by the SBA based on an applicant's credit score alone;
- Loans less than \$200,000 are not required to have a personal guarantee;
- They are not requiring real estate as collateral, and will accept a general security interest in business property.

6. Some are claiming the EIDL grants are limited based on employee numbers: \$1,000/employee, up to \$10,000. Is this true?

Yes. In a departure from the language in the CARES Act and previous guidance on the EIDL advance grant program, the SBA announced on April 10 that it was limiting advance grants to \$1,000 per employee, capped at \$10,000. In addition, the upper limit on EIDLs is now capped at \$150,000 (reduced from the earlier \$2 million cap). EIDLs are based on working capital needs, not employee numbers or payroll (unlike PPP), and NAR is concerned with the impact these changes will have on the program's usefulness, especially for independent contractors who do not have employees. NAR is advocating on the Hill for Congress to appropriate additional funds to both the EIDL and the PPP loan programs, to ensure that the SBA can meet the demand for these loans without reducing the efficacy of the overall program with arbitrary caps.



Who is eligible for an EIDL Loan and EIDL Grant?

1. Who is eligible for an EIDL?

Under the CARES Act, an EIDL is available to any small business or business with 500 or fewer employees (or an industry size standard above 500 set by the Administration) that experiences an economic hardship as a result of COVID-19. This includes sole proprietors, independent contractors, tribal businesses, and cooperatives.

A business must make a good-faith certification that it is suffering an economic injury due to the COVID-19 crisis.

How do I apply for an EIDL Loan and EIDL Grant?

1. When can I apply for an EIDL?

The SBA announced on July 12 that the \$20 billion in funding for the EIDL advance grants was depleted, and it was closing the program. Businesses are still able to apply for the regular EIDL.

2. Where do I apply for an EIDL?

[The SBA has updated its EIDL application page to reflect the new streamlined process for COVID-19 relief, which you can find here.](#)

3. How long will it take for loans to be disbursed?

EIDL emergency advance grants are to be distributed within three days of application, although we have seen delays as this program is implemented. The other programs do not have deadlines for lenders to disburse loans. However, the purpose of these new programs is to get funds to small businesses struggling to stay open and keep employees paid due to COVID-19, so the CARES Act has provisions to reduce burdens in the processes and increase efficiency. For example, SBA lenders are delegated the authority to make and approve most loans with minimal agency interaction. Documentation requirements will be minimal, and it is presumed that a business has been negatively impacted by COVID-19 if it was operating on February 15, 2020 and had employees or paid independent contractors.

In addition, Congress appropriated millions of dollars to the SBA specifically for purposes of administering the new loan programs and creating resources for borrowers.

4. Can I receive both an EIDL and a 7(a) PPP loan?

Yes, but there are some caveats. You can apply for both types of loans, but you must put them toward different expenses. In addition, if you receive an EIDL advance grant as well as an SBA 7(a) PPP loan, the amount of the advance grant will be subtracted from the amount forgiven under the 7(a) PPP loan.