

April 29, 2020

SBA Loans: Frequently Asked Questions

Last week, Congress passed the “Paycheck Protection Program and Health Care Enhancement Act,” providing additional funding to Small Business Administration (SBA) loan programs that had been depleted. This Act provided an additional \$10 billion for the Economic Injury Disaster Loan program and \$321 billion for the Paycheck Protection Program, with \$60 billion set aside for small, midsize and community lenders.

To learn more about how these SBA loan programs can 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, watch these webinar recordings (available in English and Spanish):

- [Paying Yourself, Your Staff, and Your Bills: Helping Child Care Programs Understand and Navigate SBA Loan Options \(View PDF Slides\)](#)
- [Cómo pagarse a sí mismo, a su personal y sus deudas— Entendamos las opciones de préstamos SBA para programas de cuidado infantil \(Revise los slides del taller - disponible como PDF\)](#)

Then keep reading for more resources, links, and answers to questions about the SBA loans posed by early childhood educators working in child care settings across the nation.

Paycheck Protection Program (PPP)

[Paycheck Protection Program: What Child Care Programs Need to Know \(PDF\)](#)

[Programa Paycheck Protection: Lo que los programas de cuidado infantil deben saber \(PDF\)](#)

Q: If we accept the PPP and meet the requirements of utilizing 75% of the loan to cover the cost of payroll, etc., does the whole PPP loan become a grant? Or am I responsible for paying back 25% of the loan?

- You are not responsible for paying back the loan if you use the 25% for the outlined purposes, including business mortgage interest, business rent, or business utilities. The PPP loan is forgiven if you use 100% of the loan for forgivable expenses which are payroll expenses, business mortgage interest, business rent or business utilities. Any amount of the loan used for any other purposes must be paid back at a 1% interest rate.

Q: My business operates as an LLC and my partner and I are not on the payroll; we take a draw. Does that count as payroll for the PPP loan?

- Yes, the SBA recently allowed for the PPP loan to count those who take a draw as employees.

Q: With the PPP loan, when is the loan origination date? Is it the date you applied or the date you actually get the funds?

- The loan origination date – i.e., the date the clock on the eight weeks begins – is the date you are funded. It is supposed to be the day you get the money in your bank account, though the banks have had some different interpretations on this, so it's best to double check with your banker. By statute, the funds must be dispersed within 10 days of the signing of the documents that confirms the loan approval and acceptance.

Q: What happens if you are approved for the PPP, but by the time you are given the loan, you don't have 8 weeks left of payroll, because, for instance, you are a pre-school that keeps a traditional school calendar?

- In order to ensure the loan forgiveness, you will need to adjust your payroll to keep your staff on for the full eight weeks.

Economic Injury Disaster Loan (EIDL)

[Economic Injury Disaster Loan: What Child Care Programs Need to Know \(PDF\)](#)

[Economic Injury Disaster Loan: Lo que los programas de cuidado infantil deben saber \(PDF\)](#)

Q: I understand the grant portion of the EIDL changed from \$10,000 to up to \$10,000, and that it will be based on \$1,000 per employee. Should I count myself and my husband as "employees?" We both serve as the "full-time" teachers at our home child care as well as the business owners.

- Yes, business owners count as employees so you could be eligible for the EIDL grant and should include yourself in the count for employees when filling out your application.

Q: I submitted my application for the Economic Injury Disaster Loan on April 3rd and I have not heard anything back. Does this mean I made a mistake? Would they have thrown it out, and would they notify me if that was the case. Can I call someone? Who?

- Since this loan is provided directly from the SBA, and not offered through banks, the SBA itself would notify you if your loan was declined. There is a backlog of applications which is why responses are delayed. You can call 1-800-659-2955 to get an update on your loan status.

Family Child Care

Q: As a sole proprietor with no employees (small child care home), I don't have a "payroll." How do I include myself? I'm afraid that paying myself will not qualify to be forgiven.

- For the purposes of the PPP and EIDL loans, you can count yourself as an employee of your business. You can file for a PPP loan as a sole proprietor and use your form 1040 Schedule C as proof of income from your most recent tax return. You can see the specific guidance from SBA at either SBA or the Department of Treasury's website by searching for the PPP loan's "Interim Final Rule."

Q: I own a family home child care, which is closed due to the COVID-19 situation. I worked at the facility, even though I did not get paid as an employee. Is there a way for me to apply for unemployment insurance, since I have lost the income from the business?

- Yes, Sole Proprietors and Independent Contractors are allowed to apply for unemployment under the CARES Act. You are also eligible to apply for the PPP and EIDL loans.

Unemployment and SBA Loans

Q: Should we only apply for one thing: unemployment OR the PPP OR the EIDL? Or can we apply for more than one?

- If you are a program owner, you can apply for both a PPP loan and the EIDL loan; however, you cannot use the loan money to cover the same costs (i.e., double-dipping). This means, for instance, that you can't pay yourself with your PPP loans for eight weeks starting May 1 and also pay yourself during those same eight weeks with an EIDL loan. Instead, you can pay yourself from the PPP loan for eight weeks and then start paying yourself from EIDL. We strongly encourage you to keep good records of how you used one loan followed by the other.

If you are an individual, you could apply for unemployment. You can do this as an employee or as a sole proprietor (for example, if you run a family child care program). However, if you run a family child care program, you cannot both apply for unemployment and apply for and then use the loans to pay yourself.

Q: If we choose to go the route of unemployment insurance, is the individual employee responsible for filing themselves? What if they work for a faith-based organization with a child care program?

- For the purposes of the PPP and EIDL loans, religious organizations are allowed to participate. If unemployment assistance is your/your employee's chosen route, each individual must apply on their own for unemployment.

Banking

Q: Can you apply for these loans even if your credit is bad?

- Yes. The EIDL loan will factor your personal credit in determining if you are qualified. Lenders for the PPP loan are not required to look at your credit, but some banks may choose to do so.

Q: We are being turned away if we do not have a previous 6 month old business account with banks. What type of guidance can you offer us in terms of a link to banks that are not doing this or perhaps contacting Congress on our behalf?

- If your bank is turning you away for a PPP loan, try either reputable online lenders (PayPal, Kabbage, Intuit/Quickbooks) or reach out to local, smaller banks, credit unions or CDFIs. You'll most likely have to open a new bank account, but they may have more leniency on who they will loan to.

Questions? Email advocacy@naeyc.org and visit naeyc.org/resources/topics/covid-19 for more.