SBA Paycheck Protection Program (PPP) through FarmLink

Federal programs are continuing to be developed, so information will continue to change. You can contact FarmLink at 831-425-0303 or at loans@cafarmlink.org.

How PPP Works

The Paycheck Protection Program allows FarmLink to lend our funds for payroll, rent, mortgage payments, utilities, and debt obligations. SBA provides a 100% guarantee and will forgive the loan if funds are used appropriately. If forgiven, SBA will pay FarmLink back directly.

- PPP loans have a 1% interest rate and no loan fee
- Loans will have a 24 month term with payments deferred for the first 6 months. Interest will start accruing from the day funds are disbursed. The loan will be amortized with equal payments over the 18 months after the 6 month deferral.
- Funds are to cover payroll and eligible expenses for 8 weeks. All funds must be used within 8 weeks.
- To qualify you must be: a sole proprietor, independent contractor, or small businesses with fewer than 500 employees in operation since February 15, 2020
- No collateral is required. No personal guarantees are required.
- FarmLink’s maximum loan size for this program is $250,000. Other lenders can lend up to $10,000,000. If you need additional capital, you need to work with another lender. You cannot have two PPP loans.

How to Apply

- Submit an online loan inquiry at: https://www.californiafarmlink.org/loan-inquiry-form/
- After reviewing your inquiry, FarmLink will send you the SBA application and FarmLink’s PPP worksheet.
- This process is very different from FarmLink’s normal application process; much less documentation is required.

How to Calculate Loan Amount

The loan amount is based on your monthly payroll expenses x 2.5. See the second page of this document for assistance. If you are a sole proprietor, your “monthly payroll” is considered your 2019 net profit divided by 12.

How Loan Forgiveness Works

- The entire loan must be used for qualifying costs: Payroll, employee benefits, mortgage interest payments (not the principal), rent, utilities, interest on other debt obligations that took place before February 15, 2020
- At least 75% of the loan must be used for qualified payroll costs. If you use less than 75% of the loan for payroll it will not be forgiven. This means 25% of the funds can be used for utilities, rent, and interest expenses.
- Funds cannot be used for other purposes. Purchasing tools, plants, or supplies are NOT eligible uses of PPP. FarmLink has other loan funds if you need this type of financing
- You must be able to provide documentation of how funds were spent, including payroll records and receipts for bills paid. If you cannot provide verification of how funds were used, it will not be forgiven.
- FarmLink is still awaiting guidance from SBA on the timeline and process for loan forgiveness. We will stay communicative with all PPP borrowers to ensure that forgiveness is processed as quickly as the system allows.
Help for Calculating the Loan Amount

Your application needs to be based on your 2019 expenses. If you have filed your 2019 taxes, use the numbers shown on your taxes. If you have not filed, use your 2019 internal numbers that you plan to file. Do not use your 2018 taxes.

If you do not have good records ready, then you are not ready to apply. You need to be ready to submit proof to the federal government of how you have calculated your monthly payroll.

Monthly Payroll Costs can include:

- Salary, wage, commission, or similar compensation
- Payment of cash tip or equivalent
- Benefit costs including:
  - Payment for vacation, parental, family, medical, or sick leave.
  - Payment required for the provisions of group health care benefits, including insurance premiums
  - Payment of any retirement benefit
- Payment of state or local tax assessed on the compensation of the employee

Monthly Payroll Costs cannot include:

- H2A workers, 1099 employees, volunteers, or any compensation of an employee whose principal place of residence is outside of the United States
- Compensation of an individual employee in excess of an annual salary of $100,000, as prorated for the period February 15, to June 30, 2020.
- Payroll taxes and income taxes. The Federal government will not pay you for the taxes owed to the government.

For Sole Proprietors: Maximum Loan = (2019 Net Profit ÷ 12) x 2.5

2019 Net Profit = _______________ ÷ 12 = _______________ = Average Monthly Income

Average Monthly Income = _______________ x 2.5 = _______________ = Loan Amount

For Employees: Maximum Loan = (2019 Total Payroll Costs ÷ 12) x 2.5

2019 Total Payroll = _______________ ÷ 12 = _______________ = Average Monthly Payroll

Average Monthly Payroll = _______________ x 2.5 = _______________ = Loan Amount

Make sure your total payroll includes benefit costs and state/local taxes. If you don’t feel this is an accurate calculation based on your business’s seasonality, contact FarmLink for assistance.

For Sole Proprietors with Employees: Maximum Loan = (Average Monthly Income + Average Monthly Payroll) x 2.5

Average Monthly Income = _______________ + Average Monthly Payroll = _______________ = Total Payroll

Total Payroll = _______________ x 2.5 = _______________ = Loan Amount