



## Information for Pawnbrokers about Eligibility for Payroll Protection Program Loans Under the CARES Act of 2020

April 13, 2020

Pawnbrokers have reported experiencing delays in receiving loan proceeds from their Payroll Protection Program (“PPP”) loan applications due to bankers’ uncertainty about eligibility. Others have been turned away by banks and told they could not apply for PPP loans because “lenders are not eligible.” Below is NPA’s position that pawnbrokers are eligible and why.

**Pawnbrokers were eligible for (“SBA”) section 7(a) loans -- prior to the enactment of the CARES Act for Small Business Administration Act -- if their sales of merchandise exceeded 50% of their gross revenues in the last calendar year.** In other words, if they had more income from merchandise sales than from interest and pawn charges in the year, then they were eligible. The 2011 and 2014 SBA application forms for section 7(a) loans specifically mentions both pawnbrokers and this eligibility test on page 2.

The CARES Act builds out from the SBA’s section 7(a) loan program. Small businesses that were eligible before the CARES Act are also eligible for a new loan under the PPP program. **If a small business met the section 7(a) eligibility test shown on page 2 of the application form before the CARES Act, the small business qualifies for a loan under the PPP now.**

**The CARES Act expanded eligibility for pawnbrokers.** The Act deleted from the prior section 7(a) loan program the word “gross” from section 7(a)’s “gross revenues” test. So, pawnbrokers are now eligible for a PPP loan if they had more than 50% of their revenue/income from sales of merchandise in the last calendar year. Plainly stated, that means if the pawnbroker’s income from sales was more than 50% of their total revenue, they were eligible for section 7(a) loans and are eligible for a PPP loan under the CARES Act.

The NPA will request additional clarifications to the FAQs the SBA has been issuing since the enactment of the CARES Act on March 27, 2020. Once received, we will post them on the NPA’s website. Meanwhile, please share a copy of the pre-CARES Act section 7(a) application form and this document with your bankers if you find them to be uncertain that pawnbrokers are eligible. See page 2 “B. Special Circumstances” on the SBA Eligibility Questionnaire for Standard 7(a) Guaranty that you can access using this link: [https://www.sba.gov/sites/default/files/bank\\_eligibility\\_questionnaire\\_0.pdf](https://www.sba.gov/sites/default/files/bank_eligibility_questionnaire_0.pdf). Be prepared to prove your business meets the new 50+% revenues from sales test described above.

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