

CARES ACT

ASSISTANCE FOR OUR BUSINESS CUSTOMERS

We're here for you!

As an SBA lender and your partner, we're here to provide information on the financial assistance available to your business and to help you navigate the process. We are working closely with the Small Business Administration to stay apprised as the situation develops so we're ready to work with you when the program launches.

As you know, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, part of which will provide up to \$350 billion to the Paycheck Protection Program (PPP) to help small businesses weather the COVID-19 pandemic and its stifling effect on our economy.

Loan use includes payroll, rent and utilities costs. Loan payments are deferred for 6 months to 1 year. It offers the opportunity for some or all of the borrowed amount to be forgiven if certain conditions are met.

Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. This program would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back on to payrolls. Loans are available through June 30, 2020.



Loan Eligibility

QUESTION:

What types of businesses and entities are eligible for a PPP loan?

ANSWER:

- Businesses and entities must have been in operation on February 15, 2020.
- Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that have fewer than 500 employees (including full time and part time), or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.
- For businesses in the accommodation and food services sector (NAICS 72), the 500-employee rule is per location.
- Businesses operating as a franchise or that receive funding from an approved Small Business Investment Company are eligible.

QUESTION:

What costs are eligible for payroll?

ANSWER:

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- 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 employees



ANSWERING YOUR QUESTIONS

QUESTION:

What costs are not eligible for payroll?

ANSWER:

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the *Families First Coronavirus Response Act*

QUESTION:

What are allowable uses of loan proceeds?

ANSWER:

- Payroll costs (as noted above)
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations (see exclusions above)
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period

Calculating How Much You Can Borrow

QUESTION:

What are the loan terms, interest rate, and fees?

ANSWER:

For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4 percent, zero loan fees, zero prepayment fee.

ANSWERING YOUR QUESTIONS

QUESTION:

How is the forgiveness amount calculated?

ANSWER:

Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8-week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over \$100,000).

- First, add up qualifying payroll costs, which are:
 - Payroll costs **plus** any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) **plus** any payment on any covered rent obligation **plus** and any covered utility payment.
- Then subtract costs not eligible, to reach the defined payroll costs.

QUESTION:

How is the loan size determined?

ANSWER:

Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is \$10 million.

- If you were in business February 15, 2019 - June 30, 2019: Your maximum loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- If you were not in business between February 15, 2019 - June 30, 2019: Your maximum loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.



Helping With Loan Forgiveness

QUESTION:

How do I get forgiveness on my PPP loan?

ANSWER:

You must apply through your lender for forgiveness on your loan. In this application, you must include:

- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
- Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
- Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.

QUESTION:

What happens after the forgiveness period?

ANSWER:

Any loan amounts not forgiven are carried forward as an ongoing loan with maximum terms of 10 years, at a maximum interest rate of 4%. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan. The clock does not start again.



ANSWERING YOUR QUESTIONS

QUESTION:

Can I get more than one PPP loan?

ANSWER:

No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

- To help expedite the application process, you may start gathering the following documents today:
 - Bylaws/Operating Agreement of each borrowing entity
 - Copies of all owners' Driver's Licenses
 - Payroll Expense Verification documents to include:
 - IRS Form 940 and 941
 - Payroll Summary Report with corresponding bank statement.
 - If a Payroll Summary Report is not available, Employee Pay Stubs as of February 15, 2020 (or corresponding period) with corresponding bank statement, and,
 - Breakdown of payroll benefits (vacation, allowance for dismissal, group healthcare benefits, retirement benefits, etc.)
 - 1099s (for independent contractors)
 - Certification that all employees live within the United States. If any do not, provide a detailed list with corresponding salaries of all employees outside the United States
 - Trailing 12-month Profit and Loss Statement (as of the date of application) for all applicants, month by month
 - Most recent Mortgage Statement or Rent Statement (Lease)
 - Most recent utility bills (electric, gas, telephone, internet, water)

