

## **\$2 Trillion Federal Stimulus Package passed on March 27, 2020**

As part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), **the Paycheck Protection Program (PPP)** provides \$349 billion of loan funds to support small businesses and other eligible entities impacted by COVID-19 to pay workers, interest on mortgage obligations, rent, insurance, paid sick or medical leave, utilities, and payroll related costs incurred from February 15, 2020 – June 30, 2020.

- Eligible applicants can apply for a PPP loan, up to a maximum of \$10 million, from participating lenders. Loan amounts are based on previous payroll and covered cost amounts.
- Up to eight weeks of eligible expenses during the covered period can be forgiven from the loan principal as long as the employer maintains previous payroll counts during this emergency.
- PPP loan repayments will be deferred for six months. Lenders can elect to defer the loan for a total of twelve months.
- Interest rates associated with PPP loans will be at a maximum 4% per annum.
- There will be no fees for borrowers to apply.
- There are not collateral requirements or personal guarantees for the loan.
- SBA credit elsewhere test does not apply to this loan.
- All PPP loans are federally guaranteed by the SBA 100%.
- Additional details of PPP will be provided as the SBA regulations, which the CARES Act requires to occur within 15 days of March 27, 2020.

### **What are eligible expenses under PPP?**

- Eligible expenses include payroll support, such as employee salaries, paid sick or medical leave, insurance premiums, and mortgage, rent, and utility payments.

### **Who is eligible and can apply for PPP?**

- Small businesses with 500 employees or less; The SBA size standards show by NAICS code for each type of business: <https://www.sba.gov/size-standards>; or
- 501(c)(3) nonprofit; or
- 501(c)(19) veteran's organization; or
- Tribal business concern described in section 31(b)(2)(C) of the Small Business Act with not more than 500 employees; or

- Sole-proprietors, independent contractors, and other self-employed individuals; or
- Businesses with more than one physical location that employs no more than 500 employees per physical location in certain industries to be eligible and is below a gross annual receipts threshold in certain industries; or
- Businesses in the hospitality and restaurant industries, franchises that are approved on the SBA's Franchise Directory; or
- Small business that receives financing through the Small Business Investment Company (SBIC) program.

**Do I have to be operational to apply?**

- Yes, entities must have been operational by February 15, 2020 and had payroll and paid taxes.

**Where can I apply for PPP loan?**

- You can apply through authorized bank and non-bank lenders approved by Small Business Administration and U.S. Department Treasury for PPP program.
- Lenders are waiting for guidance from the SBA on when to start accepting applications.
- We will provide more information as lenders are identified.

**Who approves my PPP loan?**

- The lender who is approved by SBA or U.S. Treasury for PPP will approve your loan application.

**What is the time period covered under the PPP?**

- The covered loan period is from February 15, 2020 to June 30, 2020.

**What is the maximum loan amount under the PPP?**

- The maximum loan amount to \$10 million.
- There is formula to determine the loan amount that is related to payroll costs incurred by the business.

**How much is the loan guarantee provided by SBA to lenders under the Program?**

- 100% loan guarantee through December 31, 2020.

**Can I still apply for PPP if I can obtain credit elsewhere?**

- Yes. Credit elsewhere requirements are waived for this PPP.

**What certifications will I need to provide in order to apply for PPP?**

- Borrower must certify in good faith that funds are needed for COVID-19 related purposes, that the funds will be used to retain workers, and that their request is not duplicative with other SBA funds for the same purpose.

**What fees will I need to pay in order for PPP?**

- PPP Waives borrower and lender fees.

**Is there a collateral or personal guarantee requirement for PPP?**

- No. Both collateral and personal guarantees are waived.

**What is the interest on PPP loans?**

- Maximum interest that can be is up to 4%.
- The Lender will determine the interest rate.

**Is there a prepayment penalty or fee on PPP?**

- No. There are no prepayment fees or penalty.

**Are there deferred payments allowed under PPP?**

- Loan payments will be deferred for 6 months.
- A lender can elect to defer for additional 6 months.

**Is any portion of the PPP loan forgivable?**

- Yes. Amount spent by borrower in the first 8 weeks from loan origination will be forgiven with appropriate documentation provided to the lender.
- Amount will be reduced proportionately by the reductions in workforce as compared to the previous year.

- If rehires are made during the 8-week period, then there will be no penalty in reflection of possible layoffs early in the 8-week period.

### **What happens to my PPP loan after December 31, 2020?**

- Anything not forgiven or repaid by December 31, 2020 will convert to a maximum 10-year loan at a maximum of 4% interest rate per annum.
- The loan will remain 100% guaranteed by SBA.

### **Loan Forgiveness for Paycheck Protection Program (PPP)**

The Act establishes that the PPP borrower are eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the PPP loan.

### **What can be included in the PPP loan forgiveness amount?**

- Payroll costs;
- Mortgage payment on mortgage incurred prior to February 15, 2020;
- Interest payment on mortgage incurred prior to February 15, 2020;
- Payment of rent on lease prior to February 15, 2020; and
- Payment on any utility for which service began before February 15, 2020.

### **What is the maximum amount of PPP loan can be forgiven?**

- Amounts forgiven may not exceed the principal amount of the loan.
- Eligible payroll costs do not include compensation above \$100,000 in wages.

### **How is PPP loan forgiveness calculated?**

- PPP Loan forgiveness equals the sum of payroll costs incurred during the covered 8-week period compared to the previous year or time period, proportionate to maintaining employees and wages:
  - Payroll costs plus any payment of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation) plus any payment on any rent obligation and any utility payment.
  - The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the

reduction in pay of any employee beyond 25 percent of their prior year compensation.

- To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period. Further, forgiveness is allowed for additional wages paid to tipped workers.

### **What proof do I need to submit to my lender to qualify to PPP loan forgiveness?**

- Borrowers will provide documentation to lenders of their payments during the period such as payroll tax filings, proof of lease payments, proof of mortgage payments, and proof of utility payments.
- Proof of payment can be a bank statement or canceled checks.

### **When will my PPP loan be approved for forgiveness?**

- The borrower must make a request to the lender for forgiveness by providing documentation of payments made under the covered period.
- The lender has 60 days to review and approve the request for forgiveness.

### **What happens to the portion of my PPP loan that is not forgiven?**

- Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with terms of a max of 10 years, at maximum 4% interest per annum.
- 100% loan guarantee remains intact from the SBA.

## **Subsidy by Small Business Administration (SBA) on Existing SBA Loans**

The CARES Act provides for a six-month loan payment subsidy by SBA on behalf of eligible borrowers on certain existing SBA loans made prior to March 27, 2020.

### **What loan qualifies for subsidy of payments by SBA?**

- SBA loan that qualify for SBA subsidy payment is an existing 7(a) (including Community Advantage), 504, or microloan loans.
- Paycheck Protection Program (PPP) loans are not covered for payment subsidy.

### **What is the payment subsidy for eligible loans?**

- SBA will pay the principal, interest, and any associated fees that are owed on the eligible loans for a six-month period starting on the next payment due.
- Loans that are already on deferment will receive six months of payment by the SBA beginning with the first payment after the deferral period.
- Loans made up until six months after enactment will also receive a full 6 months of loan payments by the SBA.

### **When will SBA make subsidy payments?**

- SBA must make payments no later than 30 days after the date on which the first payment is due.
- SBA is required to still make payments even if the loan was sold on the secondary market.

### **Are deferments on loans encouraged under the subsidy payment program?**

- Yes. SBA is required to encourage lenders to provide deferments and allows lenders, up until one year after enactment, to extend the maturity of SBA loans in deferment beyond existing statutory limits.