

### **Paycheck Protection Program- Approved under the Cares Act (PPP)- funded by Lenders**

- 100% government guaranty through December 31, 2020
- No SBA guaranty fee
- 500 employees or less- including affiliates. Some exceptions for businesses in hospitality and food services
- Amount generally equal to 2.5 times the borrower's monthly payroll cost including benefits
- Maximum loan amount \$10 million determined by:
  - If the business was in operations February 15, 2019 – June 30, 2019: max loan is equal to 2.5 times the average monthly payroll costs during that time period. If the business employs seasonal workers, March 1, 2019 can be the start date.
  - If the business was not in operations between February 15, 2019 – June 30, 2019: max loan is equal to 2.5 times the average monthly payroll costs between January 1, 2020 and February 29, 2020.
- These loans can be increased to refinance an Economic Injury Disaster Loan (EIDL) but borrower cannot use an EIDL and PPP for the same purpose- no double dipping
- Program is available until June 30, 2020
- Funds may be used for:
  - Interest on mortgages or rent
  - Utilities
  - Employee salaries, payroll costs and employee benefit costs
  - Interest on debt incurred prior to February 15, 2020
- No credit elsewhere test- meaning even if funds are available via business owners or cash on the business's balance sheet the businesses is not precluded from the program
- Collateral is not required
- Guarantees are not required
- Interest rate may not exceed 4% for the entirety of the loan
- Maximum term 10 years
- No prepayment penalties
- Only one PPP is allowed per business
- Employee/owner compensation over \$100,000 at an annualized rate in any given pay period is not eligible
- Compensation for employees residing outside of the US is not eligible
- Payment deferral of P&I is required for at least 6 months, but not greater than a year
- Borrower must certify:
  - Loan is needed to support ongoing operations due to the uncertainty of current economic conditions
  - Loan will be used to retain workers and maintain payroll or make mortgage, lease and utility payments
  - Borrower has not applied for another PPP SBA loan elsewhere
  - Borrower has not received another PPP loan
  - Borrower was in operations as of February 15, 2020 and either has employees they pay salaries and payroll taxes for or have paid independent contractors

### **Loan Forgiveness:**

- Loan forgiveness may be requested in an amount equal to the amount spent by the borrower during an eight- week period after the origination date of the loan on the following items:
  - Payroll costs
  - Interest on mortgages in place prior to February 15, 2020
  - Payment of rent on any lease in force prior to February 15, 2020
  - Payment on any utilities for which service began before February 15, 2020
- Amount of forgiveness will be reduced by:
  - the percentage of full-time (or full-time equivalent) employees laid off during the covered period as compared to the prior year levels
  - the amount each employee's salary or wage was reduced more than 25% during the covered period
  - "Covered loan period" is February 15, 2020 to December 31, 2020
- Borrowers that rehire workers previously laid off will not be penalized for having reduced payroll at the beginning of the period (waiting for more guidance from SBA on when they need to be rehired by)
- "Employee" is defined as any employee who did not receive wages or salary at an annualized rate of pay during any single pay period of more than \$100,000 in 2019.
- Borrower must submit an application to the lender servicing the loan, with applicable documentation verifying the number of full-time equivalent employees on payroll as well as their pay rate
- Borrower must certify that the forgiveness will be used to retain employees, make interest payments on mortgages or pay rent, utilities and any other documentation the SBA determines necessary
- Decisions on applications should be issued within 60 days of receipt
- Loan forgiveness will be excluded from taxable income for federal tax purposes
- No later than 90 days after the date on which the forgiveness is determined, the SBA will remit the amount forgiven to the lender

### **Economic Injury Disaster Loans (EIDLs)- funded directly by SBA**

- Must have a credit history acceptable to SBA
- Must show repayment ability
- Collateral is required for all EIDL loans over \$25,000. SBA will not decline a loan for lack of collateral, but will require the borrower to pledge collateral that is available
- For loans below \$200,000 personal guarantees will be waived
- Interest rate is determined by a formula and fixed for the life of the loan. Max interest rate is 4%
- Maximum term is 30 years. Term determined based on the financial condition of the borrower
- Principal and interest may be deferred up to 4 years
- Maximum loan amount of \$2 million. Amount is limited to the economic injury determined by SBA, less business interruption insurance. SBA also considers potential contributions that are available from the business and/or its owners or affiliates
- EIDLs cannot be used to refinance long term debts

### **Emergency Economic Injury Disaster Loan Grants**

- Borrowers may request a grant of up to \$10,000 as an advance on the loan application for the EIDL, which is not required to be repaid. You must first apply for the EIDL, then funds will be received within 3 days of applying for the EIDL
  - Advance can be used for the same purposes as the PPP plus any increased costs due to supply chain disruptions, rent or mortgage payments and obligations that cannot be met due to decreased revenue
- Not required to be in business for 1 year but must have been in operation on January 31, 2020
- Approval will be based on the borrower's credit score or other methods for determining a borrower's ability to pay (ie without a tax return or tax return transcript)
  - The amount of the advance will be included when determining loan forgiveness in connection with meeting payroll costs if borrower applies for the PPP
- Amount of grant would be subtracted from any amount forgiven under a PPP if the business applies for both a PPP and an EIDL

### **Small Business Debt Relief Program**

- Defines eligible loans as existing 7a loans, 504 and micro-loans
- SBA will cover all loan payments on non-disaster SBA loans- including principal, interest and fees for 6 months starting with the next payment date
- Available for new borrowers who take out loans within 6 months of the President signing the bill into law
- Can still apply for a PPP loan separately
- Loans already on deferment would include an additional six months of payment by the SBA beginning with the next payment
- **PPP loans are not covered loans**

**SBA is required to establish regulations no later than 15 days after 3/27/20, the enactment of the Cares Act**