

## Paycheck Protection Program – SBA 7(a) Lending Platform

aka PPP Loans

Current Status: Approved by Senate & House

Next Steps: 1. Approval by President (Expected by 3/28/20)  
2. Policy publication by SBA Administrator Jovita Carranza (Expected by 4/11/20)  
*Note: The SBA has 15 days from the date of this Act becoming law to issue policy)*

- Bank will receive Delegated Authority meaning we can close quickly.
- Businesses with 500 employees or less are eligible. *Some over 500 may be eligible.*
- Loans will be 100% guaranteed by SBA.
- No personal guaranty.
- No collateral.
- 10-year term.
- 4% interest rate.
- Loan receives automatic 6 months no payments. Interest is deferred.

### **Maximum loan amount to any one customer not to exceed \$10 million:**

- 2.5X times the average total monthly payroll.
- Payroll is defined as any compensation (any compensation includes salary, wage, commission, cash tips, payment for; vacation, parental, family, medical or sick leave, allowance for dismissal or separation, payment required for group health care benefits (including insurance premiums), payment for any retirement benefit or payment of State or local tax assessed on the compensation of employees and the sum of payments of any compensation to or income of a sole proprietor or independent contractor.
- Only employees and owners, residing within the U.S. and making less than \$100,000 in annual compensation can be included in this calculation
- The average total monthly payment for payroll is calculated using the last 12 months payroll.
- The loan will automatically be under a 6-month full payment deferment – all loans will accrue interest

Eligible use of proceeds includes:

- Employee salaries, commissions and wages and payroll costs.
- Costs related to group health care benefits
- Payments of interest on mortgage obligations
- Interest on any other debt obligations incurred prior to 2/15/2020
- Rent
- Utilities

Borrowers must certify:

- Due to uncertainty of current economic conditions loan is necessary to support ongoing Operations.
- Acknowledge that funds will be used to retain workers and maintain payroll and other eligible proceeds.
- That business does not have an application pending nor has received amounts for a loan for the same purpose or in duplication. Once legislation is passed, you may want to modify or withdraw EIDL application.

## **LOAN FORGIVENESS**

Loan can be forgiven if borrower documents proceeds were spent on the following within 8 weeks:

- Payroll.
- Payroll administration costs.
- Any payment of interest on a mortgage obligation
- Any payment of interest on a loan incurred before 2/15/2020.
- Any payment of rent obligation.
- Any covered utility payment. – electricity, water, gas, telephone, internet, and transportation that was in service before 2/15/2020.

Verified Expenses are subject to a discount of:

1. Reduction of FTE headcount between previous 12 months and 8 week period of forgiveness and:
2. Reduction in total payroll per FTE from previous 12 month levels.

## **PACKAGING**

To determine eligibility and maximum loan amounts, we need the following:

1. SBA loan application.
2. SBA form 1919 Section I (attached) on the business applying for the loan.
3. SBA form 1919 Section II (attached) on all business owners.
4. Copy of last 12 months payroll.

*The items in the package are subject to change.*