

## Paycheck Protection Program

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was recently passed to provide emergency relief for certain businesses, nonprofit organizations and independent contractors disrupted by the current COVID-19 situation. Part of the act is the Paycheck Protection Program, which allows financial institutions to provide federally backed, potentially forgivable loans to eligible businesses.

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### How does the program work?

- The Paycheck Protection Program is a low interest rate loan that may be partially or fully forgiven by the Federal government
- It is intended to be a stimulus and to provide funds for payroll and mortgage interest or rent and utilities to help businesses during this difficult time
- It is a 24 month loan at 1% with the first payment deferred for the first six months
- You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent and utilities payments over the eight weeks after getting the loan
- Not more than 25% of the forgiven amount may be for non-payroll costs
- You will also owe money if you do not maintain your staff and payroll
  - Number of staff – your loan forgiveness will be reduced if you decrease your full-time employee headcount
  - Level of payroll – your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019
  - Rehiring – you have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020

### Who is eligible?

- Businesses with 500 or fewer employees, including:
  - business entities – eg. corporations or LLCs
  - sole proprietorships
  - independent contractors (1099-MISC) – eg. real estate agents
  - 501(c)(3) nonprofits
  - veterans' organizations
  - tribal business concerns
- Business must be impacted by COVID-19 between February 15, 2020 and June 30, 2020
- Business may receive only one Paycheck Protection Program loan

### How can I use the loan?

- Payroll costs, including benefits
- Interest on mortgages originated before February 15, 2020
- Rent for lease agreements in force before February 15, 2020
- Utilities for which service began before February 15, 2020

### What is included in payroll costs?

- Salaries, wages, commissions or tips (capped at \$100,000 on an annualized basis for each employee)
- Employee benefits including costs for vacation, parental, family, medical, sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit
- State and local taxes assessed on compensation
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee

## How much can I borrow?

- Businesses can borrow a maximum of 2.5 times their average monthly payroll over the prior 12 months
  - Seasonal businesses will be for the payroll period between February 15, 2019 and June 30, 2019 or March 1, 2019 and June 30, 2019 and is the decision of the borrower
- Loans may not exceed \$10 million

See below for examples:

### Example 1

No employees make \$100,000+

- Annual payroll: \$120,000
- **Average monthly payroll: \$10,000**
- Multiply by 2.5 = \$25,000
- Maximum loan amount is **\$25,000**

### Example 2

Some employees make \$100,000+

- Annual payroll: \$1,500,000
- Subtract compensation amounts in excess of an annual salary of \$100,000: \$1,200,000
- Average monthly qualifying payroll: \$100,000
- Multiply by 2.5 = \$250,000
- Maximum loan amount is **\$250,000**

### Example 3

Independent Contractor\*

- Annual 1099: \$96,000
- Average monthly 1099: \$8,000
- Multiply by 2.5 = \$20,000
- Maximum loan amount is **\$20,000**

*\*Final guidance from SBA pending*

## What are the terms of the loan?

- 24 month term loan
- Fixed interest rate of 1.00%
- First payment deferred for six months
- No personal guarantee required
- No collateral required
- No origination fee
- No prepayment fee
- Loans will be available through June 30, 2020 however program funding limitations in the Act may impact loan availability to businesses applying later in the timeframe

## How can I request loan forgiveness?

- You can submit a request to the lender that is servicing the loan
- The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations
- You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments
- The lender must make a decision on the forgiveness within 60 days
- Additional guidance from the SBA will be forthcoming

## What if I have additional questions?

- Please visit [sba.gov](http://sba.gov) or [treasury.com/cares](http://treasury.com/cares)
- You can email specific questions about your loan to [sbaloans@farmbureaubank.com](mailto:sbaloans@farmbureaubank.com)