

March 31, 2020

Coronavirus Aid, Relief, and Economic Securities Act (CARES Act – H.R. 748) – 3/31/2020

Paycheck Protection Program Highlights

Q: There seems to be many financing options, some of which are new as well as modifications to existing programs. What is the best option?

A: If your intent is to continue operations by keeping your employees on the payroll and pay certain expenses during this COVID-19 emergency, the Paycheck Protection Program (PPP) is the first program you should consider. The PPP was created to provide short-term cash flow assistance to small businesses to enable them to maintain essential operations and continue to support their employees during this time of economic distress. As not all financing options that are available during this time coordinate with the other options, we encourage you to contact us to assist you with evaluating which program is best for you and your business.

Q: How do I know if I'm eligible for a PPP loan?

A: Generally speaking, if your business has less than 500 employees, was in operation on February 15 of 2020 and has been substantially impacted by COVID-19, then you are eligible for a PPP Loan. In most cases, this also includes Sole Proprietors and Independent Contractors. Additionally, many special rules exist which can expand the Program's coverage to businesses with more than 500 employees. We encourage you to contact us to confirm your eligibility.

Q: What am I allowed to use my PPP Loan Proceeds for?

A: The Loan Proceeds received under the PPP must be used for the following expenses:

- Payroll Costs (Salaries, Wages, Vacation, Severance, Retirement Benefits, State & Local Taxes, and Parental, Family, Medical or Sick Leave)
 - PPP Funds cannot be used to pay salaries over \$100,000
- Costs for Related Group Health Care benefits
- Employee Commissions and Tips
- Interest on Mortgage Payments (Not Applicable to the Principal Portion of Mortgage Payments) and on Additional Debt incurred prior to obtaining the PPP Loan
- Rent and Utility Costs

Q: Did I read this correctly, a portion, or all, of the PPP Loan Proceeds may be forgiven?

A: Yes! Under the PPP, provided the Loan Proceeds are used for Payroll Costs, Mortgage Interest, Rent and Utility Costs as described above, a portion, if not all, of the Loan Proceeds may be forgiven. The following guidelines have been set forth for PPP Loan Forgiveness:

- The Maximum Amount of Loan Forgiveness cannot exceed the Principal Amount of the Loan
- Employee Levels must be Maintained (Measured by the number of Full Time Equivalents). Failure to do so will lower the amount of potential PPP Loan Forgiveness.
- Employee Compensation Levels must be maintained to a minimum of 75% of prior year compensation. Failure to do so will lower the amount of potential PPP Loan Forgiveness.

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Q: How big of a PPP Loan can I receive and what are the terms of the Loan?

A: Loan amounts can be as large as two months of your average monthly payroll costs over the prior year plus an additional 25% on top of that amount. That amount is subject to a \$10 million cap. If you are a seasonal or new business, different applicable time periods will apply to your calculation. All PPP Loan recipients will be subject to the same Loan Terms, which are as follows:

- Interest at a Fixed Rate of 0.50%.
- Loan Payments that will begin 6 months after the origination date of the Loan.
 - Please note, Interest will accrue during this time period.
 - There are no prepayment penalties or fees.
- No Personal Guarantees.

Q: When and Where can I apply for a PPP Loan?

A: You can apply for a PPP Loan through any existing SBA lender or through any other federally insured depository institution or federal insured credit union that is participating. We encourage you to contact your existing banker to see if they are a participating institution in this Program. On April 3, Small Businesses and Sole Proprietorships can apply for and receive loans under this Program. On April 10, Independent Contractors and Self-Employed Individuals can apply for and receive loans under this Program. The Program will remain open until June 30 of 2020, but we encourage you to apply as quickly as possible as there is a funding cap for this Program and Lenders will need time to process your PPP Loan Application.

Full details on the program can be found at Small Business Administration by clicking [here](#).

Treasury Department released details March 31, 2020 click [here](#).