

# Legislative Update

*What We Know Now*

June 5, 2020



# Main Street Lending Program

-Main Street New Loan Facility (MSNLF): Loans range from \$500,000 to \$25 million. The loan amount cannot be more than four times the borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization (EBITDA), when added to borrower's outstanding and undrawn available debt. The lender can sell 95% to the Fed's special purpose vehicle and must retain 5% of the loan.

-Main Street Priority Loan Facility (MSPLF): Loans range from \$500,000 to \$25 million. The loan amount cannot be more than six times EBITDA when added to borrower's existing outstanding and undrawn available debt. The lender can sell 85% of the loan to the special purpose vehicle and must retain 15%. Lenders of these loans must retain more of the loan than for MSNLF loans because these loans are more leveraged than MSNLF loans and therefore more likely to default.

-Main Street Expanded Loan Facility (MSELF): Loans range from \$10 million to \$200 million. The loan amount can be either 35% of the borrower's existing outstanding and undrawn available debt, or an amount that is no more than six times the borrower's adjusted 2019 EBITDA when added to existing outstanding and undrawn available debt. The lender can sell 95% of the loan to the special purpose vehicle and must retain 5%. Even though these loans are also six times EBITDA and a lot larger than MSPLF loans, lenders only must retain 5% because of the 35% test that is not part of the MSPLF loan requirements





# Main Street Lending Program

-Not forgivable

-"should make commercially reasonable efforts to maintain its payroll and retain its employees during the time the eligible loan is outstanding." (terms do not require the loan to be spent on specific expenses)

-MSLP loans will come with an adjustable rate of the one- or three-month LIBOR plus 3%

-Lenders can collect up to a 1% origination fee from borrowers on the principal amount of the loan, and another 25 basis points (0.25%) of the principal amount of its participation from the Fed. For example, if a lender issues a \$25 million loan, that means it can collect a \$250,000 fee from the borrower, and another \$3,125 from the Fed (\$25 million, times 0.05 for the part of the loan it will have to retain, times 0.25), totaling \$253,125 in fees

-<https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm>





# Bi-weekly or Weekly Payroll

- **Covered Period** – Begins with the first day of disbursement

MAY							JUNE						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2	31	1	2	3	4	5	6
3	4	5	6	7	8	9	7	8	9	10	11	12	13
10	11	12	13	14	15	16	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28	29	30	1	2	3	4
31	1	2	3	4	5	6	5	6	7	8	9	10	11

- **Alternative Payroll Covered Period** – Begins with the first day of the payroll cycle following the date of disbursement

MAY							JUNE							JULY						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2	31	1	2	3	4	5	6	28	29	30	1	2	3	4
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
24	25	26	27	28	29	30	28	29	30	1	2	3	4	26	27	28	29	30	31	1
31	1	2	3	4	5	6	5	6	7	8	9	10	11	2	3	4	5	6	7	8

\*only available to businesses with a biweekly or weekly payroll





# Payroll Costs paid and payroll costs incurred during alternate covered payroll period – Bi-weekly payroll

MAY							JUNE							JULY						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2	31	1	2	3	4	5	6	28	29	30	1	2	3	4
3	4	5	6	7	8	9	7	8	9	10	11	<del>12</del>	13	5	6	7	8	9	<del>10</del>	11
<b>10</b>	11	12	13	14	<del>15</del>	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
17	18	19	20	21	22	23	21	22	23	24	25	<del>26</del>	27	19	20	21	22	23	24	25
24	25	26	27	28	<del>29</del>	30	28	29	30	1	2	3	4	26	27	28	29	30	31	1
31	1	2	3	4	5	6	5	6	7	8	9	10	11	2	3	4	5	6	7	8

Payrolls paid – 5/15, 5/29, 6/12, 6/26

Payroll incurred but not paid - 7/10

**All of these payrolls are eligible for forgiveness**

\*Payroll costs incurred, but not paid, during the borrower's last pay period of the eight-week period are eligible for forgiveness only if they're paid on or before the next regular pay period.





# Semi-Monthly Payroll

- **Covered Period** – Begins with the first day of disbursement

MAY							JUNE						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2	31	1	2	3	4	5	6
3	4	5	6	7	8	9	7	8	9	10	11	12	13
10	11	12	13	14	<del>15</del>	16	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28	29	30	1	2	3	4
31	1	2	3	4	5	6	5	6	7	8	9	10	11

## Eligible Payrolls

Payrolls paid during the covered period

5/15, 5/30, 6/15, 6/30

Payrolls with incurred days but not paid within the covered period

7/15

MAY							JUNE							JULY						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2	31	1	2	3	4	5	6	28	29	30	1	2	3	4
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
10	11	12	13	14	<del>15</del>	16	14	<del>15</del>	16	17	18	19	20	12	13	14	<del>15</del>	16	17	18
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
24	25	26	27	28	<del>29</del>	30	28	29	<del>30</del>	1	2	3	4	26	27	28	29	30	31	1
31	1	2	3	4	5	6	5	6	7	8	9	10	11	2	3	4	5	6	7	8





# Payroll Costs paid and payroll costs incurred

MAY							JUNE							JULY						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2	31	1	2	3	4	5	6	28	29	30	1	2	3	4
3	4	5	6	7	8	9	7	8	9	10	11	<del>12</del>	13	5	6	7	8	9	<del>10</del>	11
<b>10</b>	11	12	13	14	<del>15</del>	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
17	18	19	20	21	22	23	21	22	23	24	25	<del>26</del>	27	19	20	21	22	23	24	25
24	25	26	27	28	<del>29</del>	30	28	29	30	1	2	3	4	26	27	28	29	30	31	1
31	1	2	3	4	5	6	5	6	7	8	9	10	11	2	3	4	5	6	7	8

Payrolls paid but not incurred – 5/15

Payrolls paid and incurred - 5/29, 6/12, 6/26

Payroll incurred but not paid - 7/10

**All of these payrolls are eligible for forgiveness**

\*Payroll costs incurred, but not paid, during the borrower's last pay period of the eight-week period are eligible for forgiveness only if they're paid on or before the next regular pay period.





# PPP Flexibility Act of 2020

## H.R. 7010

### Extension of Covered Period

Covered period is extended to 24 weeks from the date of disbursement or 12/31/2020

\* How does this affect the capped compensation? H.R. 7010 does not make this clear

\*Existing borrowers are able to elect to keep the current 8 week covered period





# PPP Flexibility Act of 2020

## H.R. 7010

### Payroll Percent Threshold decreases

**60%** eligible payroll expenses

**40%** eligible non-payroll expenses

\*H.R. 7010 – if a borrower fails to spend 60% of the loan on payroll costs, **NONE** of the loan will be forgiven





# PPP Flexibility Act of 2020

## H.R. 7010

New Safe Harbor date – 12/31/2020

H.R. 7010 provides additional potential exemptions for the FTE reduction in forgiveness if the borrower is not able to rehire employees or hire replacement employees or cannot return to normal business activities because of health and safety restrictions.





# PPP Flexibility Act of 2020

## H.R. 7010

Deferred payment and interest until the date the lender receives the forgiveness amount from the SBA





# PPP Flexibility Act of 2020

## H.R. 7010

Borrowers with loans originating after the Act is law will have 5 years to pay

Lenders and borrowers are free to renegotiate the terms of any existing PPP loan to match the 5 year payback period





## PPP Flexibility Act of 2020

### H.R. 7010

PPP borrowers will now be able to take full advantage of the payroll tax deferral provided for in the CARES Act without being required to stop deferring the payment of those taxes even when their PPP loan is forgiven.





We are answering your questions live on the air right now.

Please submit questions through the **Q&A function**,  
*not the chat option* at the bottom of your screen.





# Questions?

Please email:

[questions@dominionpayroll.com](mailto:questions@dominionpayroll.com)

For resources, updates, webinar schedule, and FAQ's, please visit our

[COVID-19 Updates & Resources page](#)





As requirements change and laws are passed, we will update you as soon as possible.

*Don't forget to wash your hands!*

