

# CARES Act

## Forgivable Paycheck Protection Loans to Small Businesses

This Paycheck Protection Program is designed to help keep workers on payroll and continue economic activity across the nation. It allows small businesses and nonprofit organizations the ability to retain employees with government subsidized payroll expenses for two months. This may be a better option than applying for the Small Business Administration's (SBA's) Economic Injury Disaster Loan program. This program is the quickest, easiest, and lowest risk solution to help small businesses and nonprofit organizations weather this storm.

### Paycheck Protection Program Summary

#### Eligibility

- Businesses and nonprofit organizations with fewer than 500 employees (based on location) are eligible to receive covered loans.
- Sole proprietors and independent contractors are eligible to receive covered loans.

#### Loan Terms and Usage

- Covered loan period begins on February 15, 2020 and ends on June 30, 2020.
- The maximum loan amount is equal to the average total monthly payments for payroll costs during the one-year period before the date the loan is made at 2.5 times or \$10 million (whichever is less).
- Covered loans can be used for payroll support, such as employee salaries or commissions, paid sick or medical leave, insurance premiums, and mortgage payments, rent, utilities, and interest on any other debt obligations incurred before the covered period.
- Loan interest rates cannot exceed 4%.
- Loans shall have a maximum maturity of 10 years.
- No prepayment penalty for any payment made on the loan before December 31, 2020.

#### Forgiveness Provisions

- The borrower is eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the loan on payroll costs, interest payment on any mortgage incurred prior to February 15, 2020, payment of rent on any lease in force prior to February 15, 2020, and payment on any utility for which service began before February 15, 2020.
- Borrowers who re-hire workers who have been previously laid off will not be penalized for having a reduced payroll at the beginning of the period.
- For tax purposes, loan forgiveness is excluded from gross income.

#### Application

- This program waives the typical loan requirement, that the borrower is unable to obtain credit elsewhere for loans under the program.
- Personal guarantees of owners are not required, and no collateral is required to be posted, loans are guaranteed by the SBA.
- The SBA pays processing costs for loans to the lender.
- Contact your banking representative or the SBA to learn more or to initiate the loan process.