

## **CARES Act - Paycheck Protection Program (PPP) Provisions - Loan Q&A (Based on current information and subject to final SBA Guidelines)**

**What is the purpose of the loan program?** To get money in the form of low-interest loans (4% max) through the Small Business Administration's 7(a) loan program to small businesses to encourage them to retain or rehire employees. Loans will be issued through SBA approved banks and credit unions. The SBA will guarantee 100 percent of the amounts loaned by participating lenders.

**What is the amount available and the timing of the loan program?** \$349 billion available nationwide when SBA guidance is issued, with applications accepted through June 30, 2020 (SBA could extend until December 30th if warranted).

### **Who can get a loan?**

Businesses, including self-employed and independent contractors, Nonprofits (501 C3), veterans' organizations (501 C19) and tribal business concerns, with less than 500 employees.

### **Where do I apply?**

Any participating bank or credit union.

### **How much can I borrow?**

Up to \$10 million but not more than 2.5 times average monthly payroll.

### **How much will be forgiven?**

The principle balance of the loan will be reduced by an amount equal to: all expenses for payroll, utilities, and rent or mortgage interest, during the 8-week period after the loan is granted. Any remaining principle balance will be amortized over a period of up to 10 years. However, the first payment will be deferred for 12 months.

### **How much is the interest rate and are there any application or borrower fees?**

No fees will be charged in connection with the origination of the loan. Remaining principle balance after loan forgiveness, will be charged an interest rate not to exceed 4% and will vary depending on the length of term (up to 10 years).

### **What documentation will I need?**

The guidelines have not yet been published, but it is clear you will need to establish an average monthly payroll. Other than that, there is no credit underwriting, tax returns, financial statements, credit reports or personal guarantees needed.

### **Does a business have to be negatively impacted by the COVID-19 virus in order to get a loan?**

Yes and you will be required to attest that the COVID-19 virus has negatively impacted your business.

### **How long will it take to get approved?**

It is anticipated that when the program is fully up and running, loans will be funded within two days after the application is completed.

### **EXAMPLE:**

A small business with fewer than 500 employees and an average monthly payroll of \$150,000 applies for a PPP loan with its bank. After attesting that the COVID-19 virus has impacted its business operations, the business receives a loan of \$375,000. Over the next 8 weeks it is determined that the business has incurred \$350,000 in eligible payroll, rent and utilities expenses. The principle balance of the loan is reduced to \$25,000 and amortized over 10 years at an interest rate not to exceed 4%. The first loan payment is due 12 months later. The program prohibits SBA from charging fees to the lender and the borrower.