



COVID-19 SBA PROGRAM FAQs

1. How would any of the SBA programs apply if a company were to “stack” employees?
2. What collateral is required to participate in SBA programs?
3. How long does the process take?
4. Do you have any recommended SBA banks that know our industry?
5. In regard to salaries over \$100k- they are excluded in the calculation for 2.5x for forgiveness, but is the exclusion those employees or just the amount of their salaries over \$100k?
6. What business costs are forgiven under the Paycheck Protection Program?
7. What is the interest rate of the loan for uncovered costs?
8. Can a business utilize state and local resources as well as federal resources?
9. What is the coverage period for the Paycheck Protection Program?
10. To be eligible, are the number of employees (less than 500) based on individual corporate structures or the aggregate?

1. How would any of the SBA programs apply if a company were to “stack” employees?
Meaning – reducing work hours to 4 days per week and alternating attendance within departments. This would allow the reduction of payroll by potentially 20% while keeping everyone employed. Would the programs included in the Stimulus Package support the 5th day of pay to employees?

The Paycheck Protection Program (PPP) authorizes SBA to implement forgivable loans to businesses with less than 500 employees to maintain payroll during COVID-19 crisis.

The loan amounts will be forgiven as long as:

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made; and
- Employee and compensation levels are maintained. Payroll costs are capped at \$100,000 on an annualized basis for each employee. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

Loan payments will be deferred for 6 months.

Loan forgiveness under the Paycheck Protection Program is reduced for these reasons:

- 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.
- **Re-Hiring:** 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.

2. What collateral is required to participate in COVID-19 SBA programs?

The traditional collateral requirements from SBA are waived for Paycheck Protection Program and Economic Injury Disaster loans. No collateral is needed.

3. How long does the process take?

SBA is working to implement as soon as possible. Traditional SBA lenders will likely be able to start processing requests 48 hours to one week after SBA releases guidance. We encourage you to begin reaching out to lenders immediately.

4. Are there any recommended SBA banks that know our industry?

All existing SBA-certified lenders will be given delegated authority to speedily process PPP loans. All federally insured depository institutions, federally insured credit unions, and Farm Credit System institutions are eligible to participate in this program. For example Community Banks, JP Morgan, Bank of America, Citi, and Wells Fargo are all existing SBA-certified lenders.

5. In regard to salaries over \$100k- they are excluded in the calculation for 2.5x for forgiveness, but is the exclusion those employees or just the amount of their salaries over \$100k?

Only the amount over 100k is excluded. You will be asked to prorate payroll cost for any employee over 100k in PPP loan calculation.

6. What business costs are forgiven under the Paycheck Protection Program?

Forgivable costs include:

- Payroll costs, including benefits;
- Interest on mortgage obligations, incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.

7. What is the interest rate of the loan for uncovered costs?

Maximum interest rate is 4% with a maximum 10-year period to repay loan.

8. Can a business utilize state and local resources as well as federal resources?

Yes, a qualifying business can utilize available State and Federal resources.



9. What is the coverage period for the Paycheck Protect Program?

Coverage period includes 2/15/20-6/30/20. The borrower may elect the time period under this duration.

10. To be eligible, are the number of employees (less than 500) based on individual corporate structures or the aggregate? *For example, if a company is organized to have separate legal entities in each state with less than 500 employees in each state company - collectively across all companies, there may be over 4500 employees. Keep in mind the ownership structure of each of these companies could be different as well.*

The affiliation rules seem to be the most active question right now on the SBA loans. It is still unclear as we are just beginning to learn how SBA will implement these rules under the new programing. We are working to get guidance from SBA on this matter and will share as soon as possible.