



PAYCHECK PROTECTION PROGRAM (PPP) FACT SHEET:

The Paycheck Protection Program (PPP), part of the new Coronavirus Aid, Relief, and Economic Security Act (**CARES Act**), passed by Congress on March 27, 2020 and signed by President Trump was created to help support businesses and families through the on-going coronavirus (COVID-19) pandemic.

In particular, the CARES Act expanded the SBA Section 7(a) loan program, also referred to as the "Paycheck Protection Program" (**PPP**), which aims to support small businesses who have been severely impacted by COVID-19. The main objective of this loan is to help these businesses retain their workforce and assist with other operational expenses. We are encouraging all our small business borrowers who are impacted by COVID-19 to consider applying for a loan under this new program.

The Paycheck Protection Program (PPP) authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. ***All loan terms will be the same for everyone.***

Benefits:

1. **Cash** to cover select business expenses;
 - a. Payroll costs, including benefits
 - b. Interest on mortgage obligations, incurred before February 15, 2020
 - c. Rent, under lease agreements in force before February 15, 2020
 - d. Utilities, for which service began before February 15, 2020
2. **Loan payments** deferred for 6 months
3. **Loan forgiveness** (a portion, or possibly all, of your loan may be forgiven)

What counts as payroll costs?

Payroll costs include:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.



Key Points to Know:

- **Length** of a PPP loan - 2 years
- **Interest rate** on a PPP loan - 1%
- Maximum dollar amount of a PPP loan - **2.5x** of your average total monthly payments for **payroll costs** of the business during the 1-year period before the loan is made. Payroll costs include salary, wage, vacation, parental, family, medical or sick leave, severance, health care benefits, and local taxes.
- Last day to apply for a PPP loan - **June 30, 2020**
 - o It takes time for you to complete the application and to process your approval, so start early.
 - o There is a limited amount of funds available under the CARES Act for PPP loans.

FREQUENTLY ASKED QUESTIONS:

When can I apply?

- Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

How do I apply?

- You can apply through any existing SBA lender, and Legence Bank is an approved SBA Lender participating. Due to the minimal program requirements, the approval and funding process will be streamlined; resulting in getting capital in the hands of businesses who need it most. If you are a current Legence Bank customers, reach out to your lender.

Who can apply?

- Most businesses – including nonprofits, veterans organizations, Tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees can apply. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries - Click **HERE**.
- For this program, the SBA's affiliation standards are waived for small businesses (1) in the hotel and food services industries (Click **HERE** for NAICS code 72 to confirm); or (2) that are franchises in the SBA's Franchise Directory (Click **HERE** to check) or (3) that receive financial assistance from small business investment companies licensed by the SBA. Additional guidance may be released as appropriate.

How is the loan amount determined?

- We will calculate your loan amount by taking your business's average monthly payroll and multiplying it by 2 1/2. Your monthly payroll includes wages, tips, group health, retirement benefits and taxes but excludes the amount of compensation to individuals in excess of \$100,000. The maximum loan amount is \$10 million. There are other important details in calculating the average monthly payroll. If you are a current Legence Bank customer, reach out to your loan officer.

How much of my loan will be forgiven?

- You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- You will also owe money if you do not maintain your staff and payroll.
 - o Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
 - o 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.
 - o 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.

How can I request loan forgiveness?

- You can submit a request to your lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days.

When do I need to start paying interest on my loan?

- All payments are deferred for 6 months; however, interest will continue to accrue over this period.

When is my loan due?

- In 2 years.

Can I pay my loan earlier than 2 years?

- Yes. There are no prepayment penalties or fees.

Will I need to pledge any collateral for these loans?

- No. No collateral is required.

Will I need to personally guarantee this loan?

- No. There is no personal guarantee requirement. ***However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.***

What do I need to certify?

As part of your application, you need to certify in good faith that:

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- You have not and will not receive another loan under this program.

- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

I would like to speak with someone to better understand my options, where can I get help?

- If you are a current Legence Bank customer, reach out to your lender. You can also research your options on our website and determine which program is the best fit for your business.

Can I apply for both an Economic Injury Disaster Loan and a loan through the Paycheck Protection Program?

- We are seeking confirmation as to whether you can qualify for a Paycheck Protection loan and a disaster loan. At this point, we believe you can qualify for both, but you would need to certify that your disaster loan was used for purposes other than the Paycheck Protection loan.

As we learn more, we will share that information with you real time. It's critical for you to weigh all options available to you to ensure the best financial decision for your business. To apply for an EIDL, you must apply directly through the Small Business Administration here. To apply for the Paycheck Protection Program, please fill out the application form and submit it to your current lending officers direct email and include other required documentation (please see our PPP checklist).

Many of our team members are working remotely and are always here for you. We look forward to helping you during this challenging time.