



## Payroll Protection Program

On March 31, the Treasury has released details of the long-awaited Payroll Protection Program which was developed as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The program was developed to help businesses with less than 500 employees as well as self-employed individuals - by lessening the burden in the coming weeks and months related to the spread of COVID-19. The Program is run by the United States Small Business Administration through approved lending institutions and provides cash liquidity through a loan of up to \$10,000,000 limited by the businesses historic payroll or self-employment earnings.

Program summary:

- The loan will require that you have some economic impact from the Coronavirus pandemic. Specific impact of the conditions is broadly described.
- The loan limit is calculated based upon salaries and certain benefits, limited to \$100,000 per person. The loan amount is set at 2.5 times monthly salary at that limited amounts, and the loan is capped at \$10,000,000.
- The loan proceeds must be used for payment of payroll costs, benefits, interest on mortgage obligations incurred before February 15, 2020, rent under leases in effect before February 15, 2020 and utilities.
- The loan can be forgiven based upon a ratio of your payroll costs before the pandemic, and 8 weeks after getting the loan, so long as you use the loan proceeds for the designated items above, which will need to be documented. It is possible that the forgiveness provisions will be altered to only consider the use of funds for payroll costs more so than the other allowed uses. It should also be noted that the ratio will consider number of full-time equivalents and give some leeway to reductions in pay of up to 25%.
- The interest rates on the loan is 0.50%. Payments are deferred for six months but interest does accrue from the start of the loan. There are no prepayment fees for early payment. No collateral is required and there are no personal guarantees. The term of the loan is two years, and from what we understand the unforgiven portion may receive an extended term for repayment.
- It is important to note, businesses may not qualify for this loan if they are already participating in other SBA loan programs.

The loan is expected to be oversubscribed, so we encourage all our clients to get in touch with their bankers immediately and start the process, which is set to open this Friday, April 3 for businesses, and April 10 for self-employed persons.

The link below will send you to the application, which we encourage everyone to complete soon so that they are prepared for the process.

<https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

We look forward to assisting you with this process however we can help.