



CARES ACT SBA LOAN PROGRAM SUMMARY

I. Paycheck Protection Program

Qualifications

Authorizes the SBA to make available loans up to \$10 million to qualified small businesses that satisfy one of the following:

- Do not have more than 500 employees or the max number of employees specified in the current SBA size standard for the industry, whichever is greater (Employee count includes employees of affiliates); or
- For businesses with more than one location, not more than 500 employees at any one location **and** the business' primary NAICS code starts with "72" (This is food and accommodation); or
- Franchisee holding a franchise listed on the SBA's registry of approved franchise agreements; or
- Has received financing from a Small Business Investment Corporation

Sole proprietorships and self-employed individuals may qualify under this program.

Loan Terms

The Maximum loan amount is the lesser of 2.5 times the business' average monthly payroll costs incurred during the one-year period preceding the loan date and \$10 million. If the applicant was not in business from February 15, 2019 to June 30, 2019, then the maximum loan amount is the lesser of 2.5 times the average monthly payroll costs incurred for January and February of 2020 and \$10 million.

Payroll costs include the following:

- Salary, wage, commission, or similar compensation; Any compensation paid to W-2 employees. (***Annualized wages in excess of \$100,000 are excluded from payroll costs in determining max loan amount***)
- Group health insurance.
- Employer retirement plan contributions.
- Federal, state and local payroll taxes (Employer portion).
- Non-employee compensation paid to subcontractors or self-employed individuals for which form 1099-MISC was filed.

For self-employed individuals without employees reporting their business activity on schedule C, the payroll cost used to calculate the maximum loan amount will be the net income reported on line 31 of the 2019 (2018 if 2019 tax return is not filed) schedule C.

Maximum term is 10 years and maximum interest rate is 4%



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Other Information:

- These loans must be made by June 30, 2020.
- No personal guarantee or collateral required.
- No requirement that credit is sought elsewhere and denied.
- Borrower required to certify the following:
 - o The uncertainty of current economic conditions makes the loan necessary to support the ongoing operations of the applicant.
 - o Funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments.
 - o The business does not have a SBA(7)(a) loan pending for the same purpose and duplicative of amounts applied for or received under a covered loan.
 - o During the period beginning on February 15, 2020 and ending on December 31, 2020, the Business has not received amounts under the paycheck protection
- Borrower will have to provide payroll records including payroll tax returns or other documents to support the payroll costs.

Loan Forgiveness

Up to 100% of the loan amount may be forgiven. The amount of the loan forgiveness depends on the amount of expenditures the applicant makes on qualified costs over an eight-week period beginning on the loan origination date.

The following are qualified costs:

- Payroll costs as defined above.
- Mortgage interest (not principal)
- Rent payments on any lease in force prior to February 15, 2020.
- Utility payments for service established prior to February 15, 2020.

The forgivable amount of the loan is 100% of the total qualified costs incurred over the covered period. The Forgivable amount is potentially reduced if the number of employees or payroll costs over the covered period are reduced. The calculation is too complex for this summary, just know the goal of these loans is to get businesses to continue to pay employees/contractors. If this doesn't happen, the amount of loan forgiveness will likely be reduced.

At the end of the covered period lenders will verify with borrowers their qualified costs. We don't know exactly how yet, but it stands to reason they will need payroll records including payroll tax returns and documentation for other expenses.

The loan forgiveness is not included in gross income; therefore it is **not taxable**.



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II. Economic Injury Disaster Loan Program (EIDL)

The CARES Act made several changes to the SBA's EIDL program. The following is the program as modified by the CARES Act:

- Loans are available to small businesses in a declared disaster area. All 50 states are in a declared disaster area as of January 31, 2020 as a result of COVID-19.
- Loans are processed directly through the SBA, but the SBA can enlist the assistance of lenders in making and processing the loans.
- Maximum loan amount is \$2 million and carry an interest rate of 3.75% with a maximum term of 30 years.
- Loans over \$200,000 must be guaranteed by an owner having a 20% or more interest in the applicant.
- No requirement that borrower not be able to secure credit elsewhere.
- The business must be in operation as of January 31, 2020.
- Applicant can request an emergency grant to be received within 3 days. The grant is requested at the time of application and cannot exceed \$10,000 and must be used for authorized costs (payroll costs, other costs to maintain business operations). This grant is not considered part of the principal of the EIDL loan and is not repaid.

What You Should Do

The way these loans are setup, the vast majority of businesses will qualify for them. You should contact us immediately. BYRT will be here to provide services necessary to obtain these loans and secure any loan forgiveness you are entitled to.

The SBA has issued a roll out date of April 3, 2020 for the PPP loan program but they have yet to issue final guidance to the banks on fine details of documentation needed and other requirements. This guidance will be issued before the roll out and we will have everything we need to serve you.