



An update from Central Bank & Trust, your SBA experts

The Paycheck Protection Program is an SBA program that is part of the CARES Act working its way through Congress. Once Congress has approved the CARES Act and the President has signed it into law, the SBA will be able to complete development of the policies and regulations that will guide the program. All the specifics and details of the program will be determined by the final regulations and guidance issued by SBA.

Here is what we understand about the Paycheck Protection Program (aka SBA PPP) from the version approved in the Senate:

- Eligible entities include for-profit businesses and non-profit organizations with 500 employees or less.
 - SBA will provide further guidance on any specifically ineligible industries.
- The maximum loan amount will be determined by calculating an average monthly payroll cost over the trailing twelve months and multiplying that amount by 250% up to a \$10,000,000 maximum.
 - For purposes of this calculation, eligible payroll costs will not include compensation of any individual employee over \$100,000.
- Proceeds of the loan can be used for payroll related costs, payments of interest on debts/mortgages, rent, or utilities.
- Loans will be offered non-recourse unless the proceeds are used for purposes not authorized.
- No personal guarantees required.
- No collateral required.
- Borrowers will be required to certify:
 - The uncertain economic conditions make necessary the loan to support ongoing operations.
 - The proceeds will be used for the purposes discussed above.
 - The recipient does not have an application and has not received another loan for the same purpose or duplicative amounts.
- No SBA guarantee fees will be charged.
- Interest rate on the loan will be 4%.
- No prepayment penalty.
- Payments on the SBA PPP loan will be deferred for a minimum of 6 months.
- Borrower may obtain both an SBA PPP Loan and an SBA Disaster Loan if they are for different purposes.
- Loan Forgiveness – Borrowers will be eligible for forgiveness of all or a portion of the SBA PPP under the following guidelines.
 - Forgiveness will be calculated by the sum of eligible expenses incurred over an 8-week period following the origination of the loan. Eligible expenses include – payroll related costs, interest on debt/mortgage payments, rent, utilities.
 - The amount of forgiveness can be reduced in the event average number of employees or salaries are reduced over the measurement period (multiple final definition pending)
 - Any balance remaining after the forgiveness will become a 10 year fully amortizing loan

Impact to existing SBA Loans:

- The SBA will be making the next 6 months of regularly scheduled payments on all existing SBA Loans (7a and 504). For loans that are currently on deferral, SBA will make the 6 regularly scheduled payments after the deferral period.

In anticipation of the CARES Act and Paycheck Protection Program getting approved, Central Bank & Trust is encouraging Small Businesses to start submitting application information and get a jump start on the process for obtaining an SBA PPP loan. An overwhelming response is expected when the program is available so anything that can be done to be ahead of the curve should be.

Since the corresponding SBA regulation under the Paycheck Protection Program hasn't been finalized, we don't know the exact information required or final requirements. However, to be better prepared we are asking our clients to provide the information normally required for an SBA Loan, less anything that appears to be removed by the statute (primarily information related to the personal guarantee).

Following is a checklist of information required to get started:

- 2019, 2018, and 2017 Business Federal Income Tax Returns (complete copies)
 - If 2019 Business Tax Returns are not available, provide a 12/31/2019 Balance Sheet and Profit & Loss and a 2016 Business Tax Return
- SBA Initial Information Form ([download here](#))
- Business Debt Schedule ([download here](#))
- Trailing 12-month Profit & Loss Statement
 - Include a report for all General Ledger associated entries that relate to payroll. For the purpose of this SBA Loan, the following items are considered part of payroll – Salaries, Wages, Commissions, Vacation Pay, Parental Leave, Family Leave, Sick Leave, Allowance for Dismissal/Separation (Severance Agreement), Group Health Care Payments/Premiums, Retirement Benefits, State & Local Tax assessed on Compensation
 - Include a payroll report detailing the trailing twelve months compensation for each employee
- CB&T New Bank Account Information (form pending)

Once the legislation is approved, SBA will work expeditiously to finalize regulations and requirements to access the funding. Any additional information that the SBA requires will be collected at that time, and the loans will be processed in the order in which completed applications are received. Underwriting and closing requirements will be issued in the final SBA regulations and guidance at which time CB&T can better set expectations for the approval and funding of SBA PPP loans.

Further Disaster support is being evaluated in Congress, including enhancements to the standard SBA 7(a) program, but no timetable has been identified on if/or when additional support will be available.

Should you have any questions or would like to discuss SBA options in greater detail, please visit our website at www.CBTColorado.com/team.