Paycheck Protection Program:

Temporarily raises the maximum loan amount from $5 million to $10 million during the "covered period," from February 15, 2020, through June 30, 2020. The maximum value of a company's loan will be equal to the lesser of $10 million or the sum of 2.5 times the average monthly payroll cost in 2019. This includes wages for employees as well as expenses for paid sick leave, health care, and other benefits.

Temporarily guarantees 100 percent of the loans, regardless of size. Traditionally, loans up to $150,000 were 85 percent backed by the SBA. Loans greater than $150,000 were 75 percent backed.

Temporarily confers eligibility to businesses--even sole proprietorships and independent contractors--with 500 or fewer employees, regardless of whether a business qualifies as "small" under the SBA's size standards. Traditionally, the SBA uses a web of revenue standards to determine whether a company qualifies.

The maximum interest rate for these loans is now capped at 4 percent.

Waives the requirement that businesses show they can't obtain credit elsewhere. The inability to secure credit was formerly a requirement.

Waives annual or guarantee fees for the loan and all prepayment penalties. The SBA formerly levied fees of around 2 to 3.75 percent of the guaranteed portion of a loan.

The SBA reportedly plans to have a process in place by end of next week, where the loans can be made and disbursed in the same day, according to *The Wall Street Journal*. Previously, the SBA said it takes around five to 10 business days.

Businesses won't need to provide a personal guarantee or collateral. Traditionally, lenders don't require collateral for loans up to $25,000. For loans in excess of $350,000, the SBA traditionally requires that the lender collateralize the loan to the maximum extent possible up to the loan amount--and that may include requiring a person secure his or her loan with personal assets.

Expands the permitted use of funds to include payroll support, paid sick leave, mortgage payments, rent payments, and servicing existing debt. Previously, these items weren't expressly eligible for coverage.

Loan Forgiveness:

Loans may be fully or partially forgiven. Any portion of the loan used to make payroll, pay for utilities, rent, mortgage, and existing business debt may be forgiven, dollar for dollar. To receive this dollar-for-dollar loan forgiveness, however, workers need to remain employed through the end of June. Traditionally, 7(a) loans must be repaid in full, depending on the repayment terms.

In the case of reduced headcount, lenders may reduce the amount of forgiveness for businesses that lay off employees during the first eight weeks following the loan. If wages of employees who earn less than $100,000 a year are reduced, the level of forgiveness may also get reduced.

Businesses that have let employees go before accepting the loan will not be subject to penalties. If those businesses rehire employees after accepting the loan, they'll receive additional credit to cover wages.

Here's how the loan forgiveness works:

Your company's expenses for the eight-week period after the origination of the loan will be analyzed.

Every dollar your company spent on payroll, utilities, rent, or interest on mortgage debt will be added together. That amount will be forgiven, up to the total amount your company borrowed through the program.

> There is one caveat, however. The amount that is forgiven will be reduced for businesses that lay off employees during the first eight weeks following the loan. Companies that reduce wages of employees who make less than $100,000 per year by 25 percent or more will also have the forgivable amount reduced.
>
> The good news is that businesses that have already let employees go before accepting the loan will not be subject to such penalties. And if those businesses rehire employees after accepting the loan, they'll receive additional credit to cover their wages.

Debt Relief:

Existing borrowers can defer payments of principal, interest, and fees for up to six months, but not more than one year.

Could my loan forgiveness be affected by the number of employees I lay off or rehire? Yes, loan forgiveness is affected if you have fewer employees or a reduction of greater than 25% in wages paid to employees, versus before the loan. That is, if you have already laid-off workers, then the forgiveness will be proportionally reduced. However, workers that are rehired by June 30, 2020 can remediate this penalty. The formula to calculate the reduction is:

Forgiveness Amount x Avg. Number of Full-Time Employees per Month for 8 weeks after Loan Origination
Avg. Full-Time Employees per Month from February 15,2019 - June 30,2019

For example: Company A had a monthly average of 20 employees in 2019 and monthly payroll costs averaging $100,000. The company thus qualifies for a $250,000 loan ($100,000 x 2.5). In the 8 weeks following its loan, Company A has averaged only 12 monthly employees, and spent a total of $150,000 on payroll, rent and utilities. If they had averaged 20 employees, Company A would be forgiven the full $150,000 spent. But since they averaged 12 (60%), they will only be forgiven $90,000.

Forgiveness Amount ($150,000) x 12 employees = $90,000
20

Unforgiven Loan Amount: $250,000 - $90,000 = $160,000 (still owed)

If Company A rehires all of its employees and its monthly average number of employees is back to 20 employees by June 30, the amount that's forgivable would not be reduced.

Forgiveness Amount ($150,000) x 20 employees = $150,000
20

Unforgiven Loan Amount: $250,000 - $150,000 = $100,000 (still owed)

Note: The SBA is still determining how wage reduction will impact forgiveness.

Is a loan applicant required to provide collateral?
Per the SBA, no collateral is required, nor is a personal guarantee. Further, the borrower will not have to prove that they were not able to obtain credit elsewhere. However, banks may add their own credit and

underwriting criteria.

What information do I need to get started and find a private lender for my loan?
Most banks and credit unions will be able to process these loans. Applicants will be asked to make a good faith certification that:

- The loan will be used to retain workers, or make mortgage, lease and utility payments
- A duplicate loan is not being used for the same purpose
- The uncertain economic conditions make the loan necessary

Independent contractors, the self-employed, and sole proprietors will also be asked to provide documentation such as payroll tax filings.

Change to SBA Express Loans:

- The loan maximum has been increased from $350,000 to $1 million.

Changes to Economic Injury Disaster Loans (EIDL):

- Small businesses have the opportunity for an immediate advance of $10,000, which, according to the SBA, will be given within three days of a request.
- The loan doesn't have to be repaid if it's used for payroll, even if you get denied for the EIDL loan later on.