

# The Paycheck Protection Program

General SBA Guidelines and Frequently Asked Questions

# Paycheck Protection Program | General SBA Guidelines

The following information can be used to answer frequently asked questions around the Paycheck Protection Program. Additional communications and details are expected over the coming days.

<b>General Terms</b>	All loan terms will be the same for everyone
<b>Covered Loans &amp; Period</b>	“Covered Loans” are loans made during the “Covered Period” of February 15, 2020 through June 30, 2020
<b>Eligibility Requirements</b>	<ul style="list-style-type: none"><li>▪ “Small business concerns” as currently defined under the SBA</li><li>▪ Any business concern, nonprofit, veterans organization, or Tribal business concern with <b>no more than 500 employees</b> (full-time or part-time), unless the SBA has established a higher threshold for the relevant industry</li><li>▪ Sole proprietors, independent contractors, and eligible self-employed individuals</li><li>▪ Businesses i) with more than one physical location and ii) assigned to NAICS Code 72 – “Accommodation and Food Services” are eligible if there are <b>500 or fewer employees per location</b></li></ul>
<b>SBA Affiliation Rules</b>	<ul style="list-style-type: none"><li>▪ The employee figure is expected to take into account affiliates, determined using the SBA’s affiliate rules (e.g., if your business is a portfolio company affiliated with a private equity or other firm, your business may need to count all employees of other portfolio companies affiliated with the private equity or other firm)</li><li>▪ However, in determining the number of employees, the legislation waives the affiliation rules of the SBA (which count affiliates of an entity in determining the number of employees) for certain sectors (such as hotel and restaurant sectors), certain franchises and any business that receives financial assistance from an SBIC</li></ul>
<b>Maximum Loan Amount</b>	<ul style="list-style-type: none"><li>▪ Equals the lesser of (i) <b>2.5x the average total monthly payroll costs from past year</b>, or (ii) <b>\$10 million</b></li><li>▪ <b>Payroll costs</b> includes wages, salary, commissions, cash tips, and payments for vacation and sick leave, for health benefits/premiums, for dismissal/separation, for retirement benefits, and for state and local compensation taxes (payroll costs excludes compensation of an individual employee in excess of \$100k annual salary)</li><li>▪ Alternate calculations for seasonal employers, businesses not in existence prior to June 30, 2019 and businesses with outstanding loans under the SBA’s Disaster Loan Program</li><li>▪ <b>Calculation of the maximum loan amount does not equate to the calculation of the maximum forgivable amount</b></li></ul>

Source: CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT – signed into law by the President of the United States on March 27, 2020; Treasury.gov

# Paycheck Protection Program | General SBA Guidelines

(continued)

<b>Use of Proceeds</b>	Payroll costs, <i>interest on mortgages</i> , or other debts incurred before the covered period, rent and utilities (in addition to current SBA permissible uses)
<b>Loan Deferral &amp; Loan Forgiveness</b>	<ul style="list-style-type: none"> <li>▪ Payment of principal, interest and fees will be <b>deferred</b> for 6 months; however, interest will continue to accrue over this period</li> <li>▪ <b>Loan forgiveness available subject to proper documentation</b> (may not apply to entire loan amount – see slide 4 for additional information)</li> <li>▪ Due to likely high subscription, it is anticipated that not more than <b>25% of the forgiven amount may be for non-payroll costs</b></li> </ul>
<b>Pricing</b>	0.50% fixed rate
<b>Tenor</b>	2 years (only applies to unforgiven loan balance)
<b>Security</b>	Unsecured - <b>No collateral or personal guarantee required</b>
<b>SBA Fees</b>	<b>None</b>
<b>Documentation Requirements</b>	<ul style="list-style-type: none"> <li>▪ Borrower must complete an Application Form and provide payroll documentation and a good-faith certification as to COVID-19 impact, use of funds, attestation of no other pending applications for a covered loan, and no duplicative funds received</li> <li>▪ Payroll tax filings required by self-employed individual, independent contractor or sole proprietor, and income and expenses as determined by the SBA and the Secretary of the Treasury</li> </ul>

Source: CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT – signed into law by the President of the United States on March 27, 2020; Treasury.gov

# Frequently Asked Questions

- **What is the Paycheck Protection Program (“PPP”)?** 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
- **When and where can I apply?** The SBA has indicated that small businesses and sole proprietorships can apply starting April 3, 2020, and independent contractors and self-employed individuals can apply starting April 10, 2020. However, banks who decide to participate in the program will have their own application process
- **What do I need to apply?** Payroll documentation and a good-faith certification will be required
- **What do I need to certify?** As part of the current SBA Application Form, the business and each 20% or greater owner must 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

# Frequently Asked Questions *(continued)*

- You have not and will not receive another loan under this program
- You will provide 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 receiving this loan
- All of 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 the tax documents are identical to those you submitted to the IRS. 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
- Additional certifications and documentation may be required depending on further guidance from the SBA

# Frequently Asked Questions *(continued)*

- **Do I need to first look for other funds before applying to this program?** No. The SBA has waived the usual SBA requirement that you try to obtain some or all of the loan funds from other sources (i.e., waiving the Credit Elsewhere requirement)
- **How many loans can I take out under this program?** Only one
- **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

# Frequently Asked Questions *(continued)*

- **Can I pay my loan earlier than 2 years?** Yes. There are no prepayment penalties or fees
- **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:
    - **Number of Staff:** Your loan forgiveness will be reduced if you decrease your full-time employee headcount
    - **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
    - **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

# Frequently Asked Questions *(continued)*

- **How can I request loan forgiveness?** Further guidance is required from SBA; however, 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. Per the legislation, a forgiveness decision must be made within 60 days
- **Are there other loan products available?** Truist and the SBA have other lending solutions that may be a better fit for you. If you are in immediate need of liquidity, the SBA has a disaster relief loan product that is available on the SBA website. You can contact a Truist banker about other options that may be available to you

To sign up for email updates on this program's availability, please visit our website at [truist.com/coronavirus-response/banking-solutions/business](https://truist.com/coronavirus-response/banking-solutions/business)

#### Additional Resources:

- [The Small Business Administration Website](#)
- [The U.S. Department of the Treasury Website](#)
- [The CARES Act Bill](#)

This information is subject to change as further clarification is provided by the US Government and should not be interpreted as a position Truist has taken related to the program.

This document has been prepared by Truist and its legal counsel and is intended to serve as only a high-level summary of specific provisions of the CARES Act. This summary does not constitute advice and does not cover all aspects of the law, including provisions that may be relevant to, or apply differently to, your business, your employees and/or your shareholders. For any specific questions about the CARES Act and how it may impact your business, we strongly encourage that you contact your legal counsel and your business contacts at Truist.