

## **CARES ACT and Paycheck Protection Program (PPP)**

The Coronavirus Aid, Relief, and Economic Security Act (C.A.R.E.S Act) provided \$350 Billion to support small businesses and keep workers employed during the pandemic economic downturn. The Paycheck Protection Program provides eligible businesses impacted by COVID-19 to borrow up to \$10MM in forgivable loans to cover payroll, interest, leases and utility expenses. American Commercial Bank and Trust and First National Bank of Ottawa will be providing these loans through partnership with the Small Business Administration.

### **Eligibility:**

- Borrowers must have been in operation as of February 15, 2020
- Borrowers must have < 500 employees
- Borrowers can include sole proprietors, independent contractors, 501(c)3 with fewer than 500 employees
- Exceptions will be made for Food Service/Hospitality businesses per physical location with less than 500 employees

### **Loan Certification Requirements:**

- Borrowers must make a good faith certifications of the following
  - Loan is necessary to support business operations as a result of the COVID-19 crisis
  - Proceeds will be utilized to retain workers and maintain payroll, make mortgage interest payments, lease payments, and utility payments
  - Have not received funds or have an application pending for duplicative loan purposes \*

\*Borrowers may apply for both PPP loan and other SBA assistance including EDILs, but funds CANNOT be used for same purposes

### **Interest Rate/Fees/Guarantees/Collateral:**

- Interest Rate : 0.5%
- No Personal Guarantee or Collateral Required
- No Fee required
- Balances remaining after forgiveness are subject 2 year maturity
- Loan and interest payments are deferred for at least 6 months, but interest will accrue during period

## How much Can Businesses Borrow?

Loan amounts can be 2.5x the Borrowers monthly included payroll costs

<b>INCLUDED COSTS</b>	<b>EXCLUDED COSTS</b>
Salary, wage commission, or similar compensation*	Compensation of individual employee in excess of annual salary of \$100,000
Payment of cash tip/equivalent	Compensation of individual employee whose principal place of residence is outside United States
Payment for vacation, family leave, sick leave	Paid sick and family leave covered by Families First Coronavirus Response Act
Group health care benefits including insurance premiums	
Payments for Retirement Benefits	

\*For non-seasonal employees: 2.5x the average monthly payroll over the last year

\*For seasonal employees: 2.5x the average monthly payroll for 12-week period starting either February 15, 2019 or March 1<sup>st</sup>, 2019

\*Due to high anticipated subscription, it is anticipated that not more than 25% of the forgiven amount can be attributed to non-payroll expenses

## Loan Forgiveness:

Loans are eligible to be forgiven up to the principal balance on the loan

Forgiveness amount is a calculated by the sum of the following items over the 8 week period following the loan origination:

- Payroll Costs (as defined under How Much Can Businesses Borrow)
- Mortgage Interest
- Lease Payments
- Utility Payments

Forgiveness amount CAN be REDUCED as a result of:

- REDUCTION IN EMPLOYEES- in the period from February 15, 2020 to June 20<sup>th</sup>, 2020 as compared to average monthly full-time employees from either February 15, 2019 to June 20<sup>th</sup>, 2019 or from January 1<sup>st</sup>, 2020 to February 29<sup>th</sup>, 2020 (Borrower choice)
- REDUCTION IN WAGES-a reduction in wages beyond 25% for employees earning less than \$100k per year occurring February 15, 2020 to June 30<sup>th</sup>, 2020 relative to wage in 4<sup>th</sup> Quarter 2019

\*Reduction in wages from February 15, 2020 restored by June 30, 2020 will not reduce Loan Forgiveness amount

\*IF entire loan is forgiven-Borrower is NOT responsible for interest accrued during period from loan origination to forgiveness

## Application Checklist

Applications can be submitted starting April 3, 2020 for small businesses and sole proprietors

Applications can be submitted starting April 10, 2020 for independent contractors and self-employed individuals

- SBA Application -PPP program
- Borrowing Entity Documentation
  - Articles of Incorporation/Organization for each Borrowing Entity
  - By Laws/Operating Agreements for each Borrowing Entity
  - Driver's License for Each Owner
- Payroll Documentation
  - IRS Quarterly 940, 941, or 944 payroll tax reports (2019)
  - Payroll reports for 12-month period ending on most recent payroll date-if not available employee pay stubs for February 15, 2020 (or corresponding period)
  - Corresponding Payroll Bank Statements
  - Breakdown of payroll benefits (vacation, paid leave, group health care, retirement, etc)
  - 1099s for independent contractors
  
- Certification that all employees live within United States
- Most Recent Mortgage Statement/Lease (Rent) Statement
- Most Recent Utility Bills (Electric, Gas, Phone, Interest, Water)

Contact Us:

We at American Commercial Bank and Trust and First National Bank of Ottawa are here to help!

For more information [www.acbandt.com](http://www.acbandt.com) and [www.firstottawa.com](http://www.firstottawa.com)

Submit Applications to your Partner/Lending Officer Directly