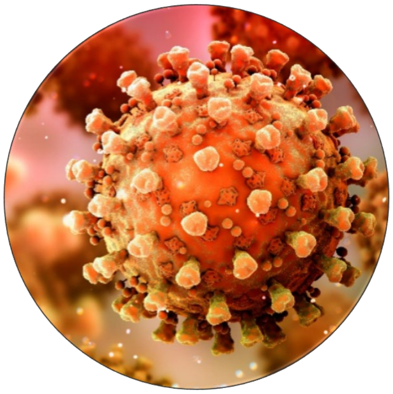

Paycheck Protection Program

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated $350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program, (PPP) the initiative provides 100% federally guaranteed loans to small businesses. Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

On April 16, 2020, the first round of PPP exhausted its $342 billion of funding. On April 21, 2020, the House approved $484 billion in new COVID-19 aid. The deal includes an additional $310 billion for the Paycheck Protection Program (PPP), including $60 billion specifically for community banks and smaller lenders, as well as $75 billion for hospitals, $25 billion for testing, and $60 billion for emergency disaster loans and grants. On April 23, the Senate approved the package and sent it to President Trump for his signature. The Small Business Administration will resume accepting PPP loan applications on Monday, April 27 at 10:30 am EDT from approved lenders on behalf of any eligible borrower. This will ensure that SBA has properly coded the system to account for changes made by the legislation.

Update as of January 11, 2021: The Paycheck Protection Program (PPP) will reopen January 11, 2021, offering forgivable loans to small businesses and allowing certain cash-strapped firms to borrow a second time, according to the U.S. Small Business Administration (SBA). Congress authorized up to $284 billion toward the small business loan program as part of the sweeping COVID relief act that went into effect near the end of 2020. That measure also included additional aid for small businesses in the form of tax deductibility for expenses covered by PPP, as well as tax credits for firms that kept their employees on payroll and simplified forgiveness for loans under $150,000. This time, the SBA and Treasury Department have staggered the reopening. That means at first only community financial institutions—this includes banks and credit unions that lend in low-income communities—will be able to initiate PPP loan applications January 11. The SBA will offer second PPP loans to qualifying businesses starting on January 13.

Update as of July 7, 2020: If you missed the initial round of Paycheck Protection Program (PPP) funding, there is still an opportunity for your business! In response to the overwhelming success of the PPP, Congress reauthorized the program and resumed the application process on July 6, 2020. The new deadline to apply for a Paycheck Protection Program loan is August 8, 2020. Contact your lender to apply. To be eligible for a PPP loan, businesses:

- Must be in operation on February 15, 2020.
- Must have 500 or fewer employees whose principal place of residence is in the U.S.
- Can be sole proprietors, independent contractors, self-employed persons, 501(c)(3) non-profits, 501(c)(19) veterans' organizations, or SBA-designated tribal businesses.

Here are important details regarding the loan. As you begin the application process, it's important to know these things about PPP loans:

- PPP loans have an interest rate of 1%.
- Loans issued prior to June 5 have a maturity of two years; loans issued after June 5 have a maturity of five years.
- Loan payments will be deferred for six months.
- No collateral or personal guarantees are required.
- Neither the government nor lenders will charge small businesses any fees.

Are You Eligible?

You are eligible if you are:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis.
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company, the normal affiliation rules do not apply.

Remember: The 500-employee threshold includes all employees: full-time, part-time, and any other status.

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REMEMBER: The 500-employee threshold includes all employees: full-time, part-time, and any other status.

2 What will lenders be LOOKING FOR?

In evaluating eligibility, lenders are directed to consider whether the borrower was in operation before February 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors.

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere
- A personal guarantee is not required for the loan
- No collateral is required for the loan

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- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

Who Are Approved Lenders?

To increase speed and turnaround time within this new load product, all lenders will have delegated authority. Delegated authority allows the lender to process, close, and service a loan without SBA review.

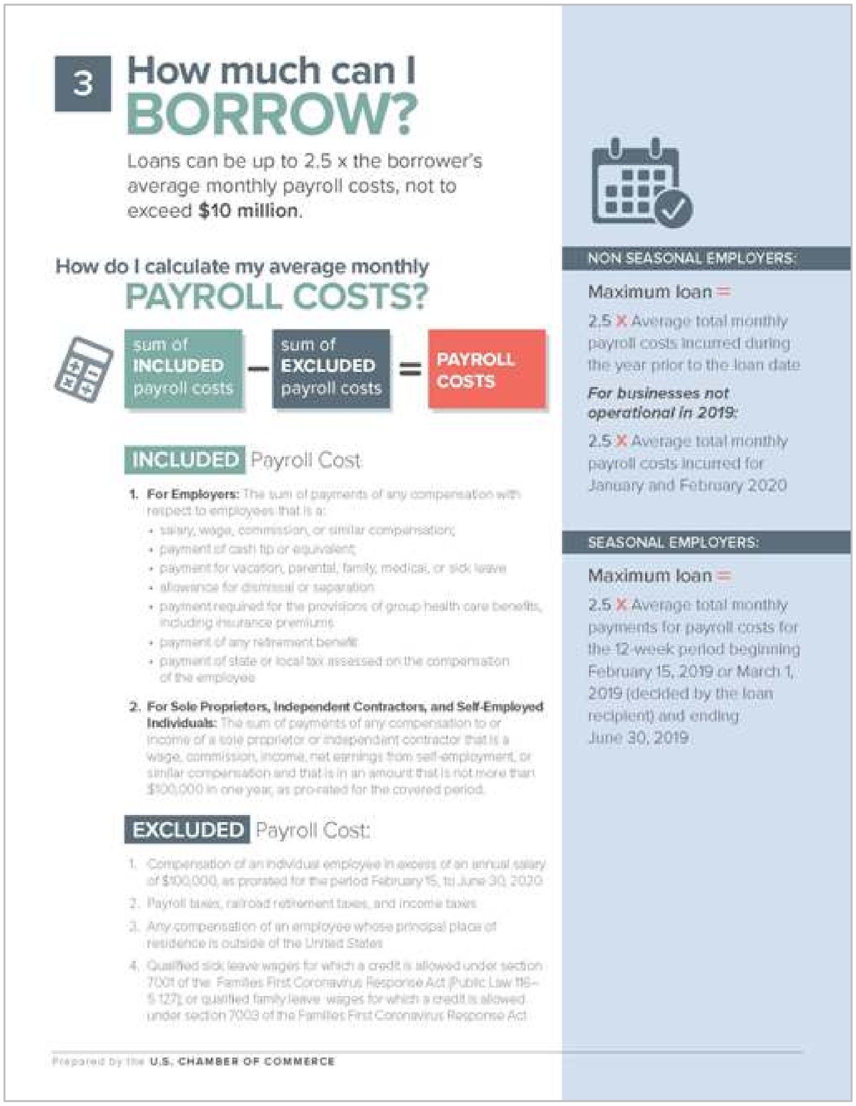
You are strongly encouraged to work with your current lender if your lender is approved for SBA loans. Many banks are still figuring out their portals and processes.

Approved lenders in Southwest Michigan include:

- 1st Source Bank
- Arbor Financial Credit Union
- Century Bank and Trust
- Chase Bank
- Chemical Bank
- Comerica Bank
- Consumers Credit Union
- Consumers Professional Credit Union
- Edgewater Bank
- Farmers State Bank
- Fifth Third Bank
- First National Bank
- Flagstar Bank
- GW Jones Exchange Bank
- Highpoint Community Bank
- Homestead Savings Bank
- Honor Credit Union
- Horizon Bank
- Huntington Bank
- Kalamazoo County State Bank
- Kellogg Community Credit Union
- Key Bank
- Mercantile Bank
- New Buffalo Savings Bank
- Old National Bank
- PNC Bank
- Southern Michigan Bank & Trust
- Sturgis Bank & Trust

How Much Can You Borrow?

Loans can be up to 2.5 times the borrower's average monthly payroll costs, not to exceed $10 million.



How Do You Calculate Average Monthly Payroll Costs?

(Sum of INCLUDED Payroll Costs) – (Sum of EXCLUDED Payroll Costs) = Payroll Costs

Will This Loan Be Forgiven?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

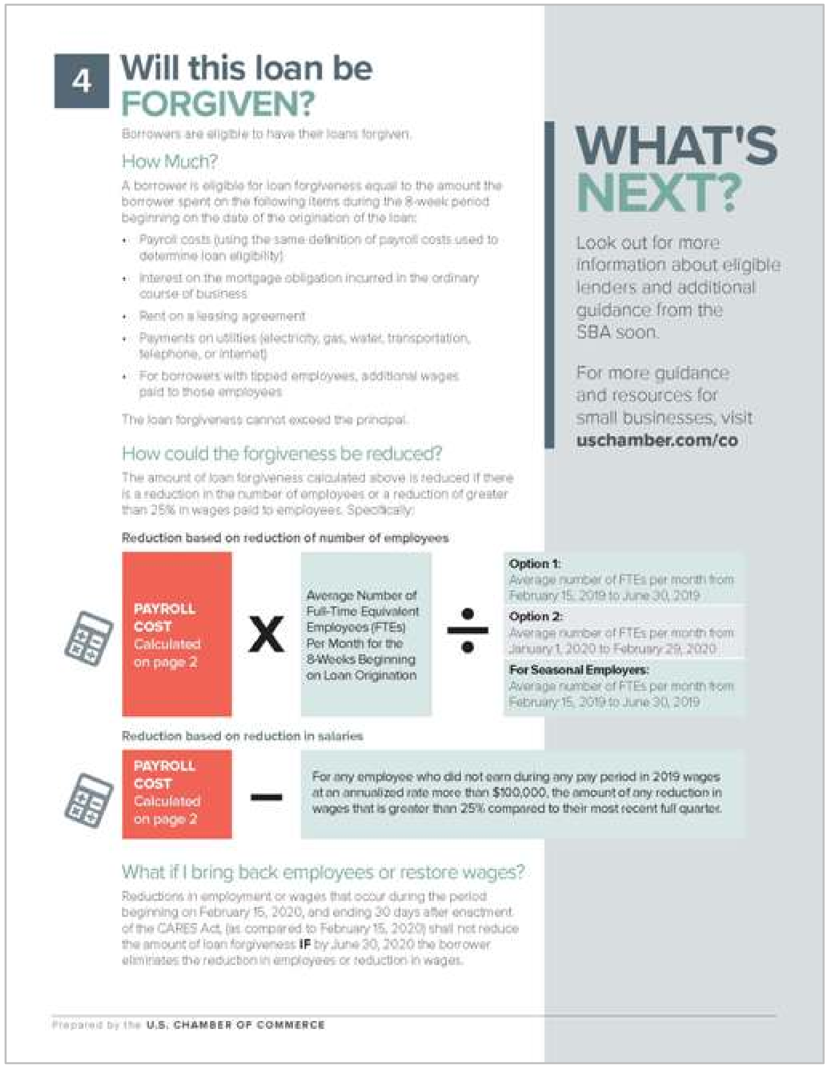
- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees
- The loan forgiveness cannot exceed the principal

How could the forgiveness be reduced?

The amount of loan forgiveness is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.

What if you bring back employees or restore wages?

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness IF by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.


4 Will this loan be FORGIVEN?

Borrowers are eligible to have their loans forgiven.

How Much?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
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- For borrowers with tipped employees, additional wages paid to those employees

The loan forgiveness cannot exceed the principal.

How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:

Reduction based on reduction of number of employees

PAYROLL COST Calculated on page 2 X Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination ÷

Option 1: Average number of FTEs per month from February 15, 2019 to June 30, 2019

Option 2: Average number of FTEs per month from January 1, 2020 to February 29, 2020

For Seasonal Employers: Average number of FTEs per month from February 15, 2019 to June 30, 2019

Reduction based on reduction in salaries

PAYROLL COST Calculated on page 2 – For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than $100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

What if I bring back employees or restore wages?

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

WHAT'S NEXT?

Look out for more information about eligible lenders and additional guidance from the SBA soon.

For more guidance and resources for small businesses, visit **uschamber.com/co**

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Application and Key Dates

[The CARES Act Paycheck Protection Program application has been released here].

[Addendum A for determining Affiliation is available here].

- Starting **April 3, 2020**, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Starting **April 10, 2020**, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.

Need Help?

For questions on the application process, email Bronwyn Drost or call at 269.553.9588.

Resource Guides

- U.S. Treasury FAQ – Updated as of April 23, 2020
- CARES Act Payment Protection Plan
- Resource Guide from the U.S. Chamber of Commerce
- Payroll Protection Plan Information Sheet for Borrowers by the U.S. Department of Treasury
- Southwest Michigan First Interactive One-pager
- SBA PPP Website
- Treasury PPP Website

How Does the Paycheck Protection Program Differ from Other Small Business Administration (SBA) Loan Programs?

PAYCHECK PROTECTION PROGRAM (PPP)		ECONOMIC INJURY DISASTER LOAN (EIDL)
payroll and approved operating expenses	USES	working capital
no collateral required	COLLATERAL	no collateral on loans u/$25k SBA will take best lien available (excluding real estate) on loans o/$25k
up to 100% with approval	FORGIVENESS	0% is eligible for forgiveness
2.5X average monthly payroll for the prior 12 months	AMOUNT	up to 6 months of operating expenses not to exceed $2 million
.5% on unforgiven portion 2 -year fixed note	TERMS	3.75% small businesses 2.75% non-profits 30 -year fixed note
no payments for first 6 months	DEFERMENT	no payments for first 12 months
• all for-profits • private non-profits	ELIGIBLE ENTITIES	• sole proprietors • small agriculture coops and aquaculture • private non-profits
SBA APPROVED BANK	APPLY	SBA.GOV/DISASTER

AMERICA'S SBDC NORTHWEST TEXAS

last updated 03/31/2020

POWERED BY SBA

- 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. Loan terms are still negotiated between borrowers and lenders and are a product of the prime rate, plus the LIBOR rate. However, rates may not exceed that limit. Previously, fixed rate loans were capped at 6 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.
- 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.

Source: "How the New Paycheck Protection Loans Are Different Than Traditional 7(a) SBA Loans," Inc. Magazine, March 30, 2020.