



# CARES Act

## Paycheck Protection Program Loans

The United States Congress recently approved nearly \$350 billion to help small businesses keep workers employed amid the COVID-19 pandemic and economic downturn. The Paycheck Protection Program, which is part of the CARES Act, provides 100 percent SBA guaranteed loans to small businesses, non-profit organizations and other qualified entities. These loans may be entirely forgiven if borrowers meet program requirements.

The applicable federal agencies will issue a one-page application form and program guidelines in the coming days. First PREMIER Bank will begin working with small businesses immediately and will process loan applications when they become available. In the meantime, here are a few basic things you should know about the Paycheck Protection Program:



### Who is eligible?

- A small business with fewer than 500 employees.
- 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 and regularly carries on any trade or business.
- A Tribal business concern with fewer than 500 employees.

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 or part-time.

### What are the terms?

Program guidelines are being developed. We anticipate the fixed interest rate will not exceed 4 percent. Loan may be entirely forgiven if certain criteria are met. Please see, "Will loan be forgiven?" for additional information.

## What are the conditions?

In evaluating eligibility, First PREMIER will consider whether the borrower was in operation before Feb. 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors. We will also ask for a good faith certification that:

- The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations.
- The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease and utility payments.
- Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here.
- 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, we will also look for certain documents such as payroll tax filings, Forms 1099-MISC and income and expenses from the sole proprietorship.



## How much can I borrow?

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

### Non-Seasonal Employers:

Maximum Loan = 2.5 times average monthly payroll costs incurred during the year prior to the loan date. If a business was not in operation during 2019, the maximum loan is 2.5 times total monthly payroll costs incurred for January and February 2020.

### Seasonal Employers:

Maximum Loan = 2.5 times average total monthly payments for payroll costs for the 12-week period beginning Feb. 15, 2019, or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019.

To calculate your average monthly payroll costs, please use the following formula:

**Sum of included payroll costs - sum of excluded payroll costs = payroll costs.**

### Included Payroll Costs

1. For Employers: the sum of payments of any compensation with respect to employees that is a:

- Salary, wage, commission or similar compensation.
- Payment of cash tip or equivalent.
- Payment for vacation, parental, family, medical or sick leave.
- Allowance for dismissal or separation.
- Payment required for the provisions of group health care benefits, including insurance premiums.
- Payment of any retirement benefit.
- Payment of state or local tax assessed on the compensation of the employee.

2. For Sole Proprietors, Independent Contractors and Self-Employed Individuals:

- The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.



## Excluded Payroll Costs

1. Compensation of an individual employee in excess of an annual salary of \$100,000 as prorated for the period Feb. 15 to June 30, 2020.
2. Payroll taxes, railroad retirement taxes and income taxes.
3. Any compensation of an employee whose principal place of residence is outside of the United States.
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act.



## Will the loan be forgiven?

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

- Payroll costs (using the same definition of payroll costs used to determine 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.

## 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 percent in wages paid to employees.

## What if I bring back employees or restore wages?

Reductions in employment or wages that occur during the period beginning Feb. 15, 2020 and ending 30 days after enactment of CARES ACT shall not reduce the amount of forgiveness if by June 30, 2020, the borrower eliminates the reduction in employees or reduction in wages.

## What's Next?

The applicable federal agencies will issue a one-page application form and program guidelines in the coming days. First PREMIER Bank will begin working with small businesses immediately and will process loan applications when they become available. In the meantime, please visit with your First PREMIER Business banker with any questions or concerns you might have regarding this program, or contact us at: [cares@firstpremier.com](mailto:cares@firstpremier.com).