

# Summary of Paycheck Protection Program (SBA7a Loans)

Prepared by Terri Johnson, CPA

March 28, 2020

	<b>SBA7(a) Loans (Paycheck Protection Program)</b>
<b>Eligibility Requirements</b>	<ul style="list-style-type: none"><li>• 500 employees or less</li><li>• Business was operational on 2/15/20</li><li>• Had employees for whom salaries and taxes were paid, or paid independent contractors</li><li>• No requirement to evaluate ability to repay</li><li>• Nonprofits are eligible</li><li>• Sole proprietors, independent contractors &amp; self-employed individuals are eligible</li></ul>
<b>Borrowing Limits</b>	<ul style="list-style-type: none"><li>• Up to 2.5x the business's average monthly payroll for 12 months prior to loan</li><li>• Payroll costs include wages &amp; salaries (not to exceed \$100,000 per person), taxes, health insurance, &amp; paid sick leave</li></ul>
<b>Allowed Uses</b>	<ul style="list-style-type: none"><li>• Payroll costs</li><li>• Interest payments on mortgages</li><li>• Utilities</li><li>• Rent</li><li>• Interest on other loan obligations incurred prior to 2/15/20</li></ul>
<b>Loan Repayment Guarantee</b>	<ul style="list-style-type: none"><li>• 100% of loan proceeds until 12/31/20</li><li>• 75% for loans exceeding \$150,000 after 12/31/20</li><li>• 85% for loans under \$150,000 after 12/31/20</li></ul>
<b>Maximum Interest Rate</b>	<ul style="list-style-type: none"><li>• 4%</li><li>• No prepayment penalty</li></ul>
<b>Maximum Loan Maturity</b>	<ul style="list-style-type: none"><li>• Up to 10 years</li></ul>
<b>Collateral &amp; Guarantees</b>	<ul style="list-style-type: none"><li>• No personal guarantee is required and no collateral necessary</li><li>• Borrowers must certify that loan necessary due to uncertainty of economic conditions; they will use funds to retain workers or make lease, rent &amp; utility payments; they are not receiving duplicate funds for same uses</li></ul>
<b>Deferment</b>	<ul style="list-style-type: none"><li>• Lenders required to defer payments (including principal, interest &amp; fees) for a minimum of 6 months and maximum of 1 year</li></ul>

This content is for informational purposes only and is not designed or intended to provide financial, tax, legal, investment, accounting or other professional advice. If professional advice is needed, please seek the services of a professional advisor.

<b>Loan Forgiveness</b>	<p>Borrower can apply for loan forgiveness equal to:</p> <ul style="list-style-type: none"> <li>• Amount spent during 8 week period following loan closing on payroll costs, rent, utilities, &amp; mortgage interest (if mortgage in place prior to 2/15/20)</li> <li>• Amount forgiven reduced proportionally by any reduction in employees retained compared to previous year and by reduction in pay beyond 25% of previous year's pay</li> </ul>
<b>Rehiring of Workers</b>	<ul style="list-style-type: none"> <li>• If workers recently let go or furloughed are rehired or wages are reset to amounts prior to 2/15/20 ,then those reductions won't be counted against the borrower</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• Canceled debt will not be included in borrower's income</li> </ul>
<b>Forgiveness Application Timing</b>	<ul style="list-style-type: none"> <li>• Lenders have 60 days from the date of forgiveness application to issue a decision</li> </ul>

This content is for informational purposes only and is not designed or intended to provide financial, tax, legal, investment, accounting or other professional advice. If professional advice is needed, please seek the services of a professional advisor.