



Highland Bank

Your Business, Our Bank.

Coronavirus Emergency SBA Loan Guide

ECONOMIC INJURY DISASTER LOAN (EIDL)



EIDL - EXISTING PROGRAM PREVIOUSLY ROLLED OUT

- Apply directly to the SBA
- Loan amount up to \$2,000,000 (SBA will determine the loan amount based on the applicant's monthly business expenses, a review of the applicant's balance sheet and liquidity position, and the guarantor's personal credit history.)
- 3.75% interest rate for For-Profit companies
- 2.75% interest rate for Not-For-Profit companies
- Loans will be for a term of either 15 years or 30 years, to be determined by the SBA based on repayment ability. There is no pre-payment penalty.
- The opportunity for up to a \$10,000 Economic Injury Disaster Loan Advance. This Advance may be available even if your EIDL application was declined or is still pending, and may be forgiven.

GENERAL 7(a) LOAN PROGRAM CHANGES



7(a) BORROWER PAYMENTS FOR 6 MONTHS

PAYMENT RELIEF:

SBA is required to pay the principal, interest, and any associated fees owed on a 7(a) loan in regular servicing starting with the next payment due for both existing and new borrowers.

There are three scenarios outlined that cover all possibilities with clear guidance:

- Existing borrower not on deferment: six months of payments of principal, interest, and any associated fees begin with the next payment due on the loan;
- Existing borrower on deferment: six months of payments of principal, interest, and any associated fees beginning with the next payment due on the loan after the deferment period; and
- New borrower: six months of payments of principal, interest, and any associated fees beginning with the first payment due on the loan, but only for new loans made within the first six months starting from the date of enactment (3/27/2020).

ELIGIBILITY:

Any loan made under the 7(a) program, including Express and Community Advantage loans. The payments are also applicable to any loan guaranteed by SBA in the 504 program, likely on the SBA debenture.



TEMPORARY INCREASE TO SBA EXPRESS PROGRAM MAXIMUM SIZE

- Maximum loan size for an SBA Express Loan is increased from \$350,000 to \$1 million effective 3/27/2020 (date of enactment of the CARES Act) through 12/31/2020
- Maximum authorized loan size will revert to \$350,000 on 1/1/2021

PAYCHECK PROTECTION PROGRAM



PPP PROGRAM

- SBA Guaranty: 100%
- SBA Upfront Guaranty Fee: Waived
- Interest Rate: 1.00% for life of loan
- Maximum Loan Maturity: 2-years after application of the forgiveness portion
- All payments are deferred for 6 months, but interest will accrue
- Collateral: No collateral will be required
- Personal Guarantee: No personal guaranty will be required BUT Government will have recourse against a shareholder, member or partner of a borrower company if loan proceeds are used for a purpose not authorized by the law

BASIC ELIGIBILITY:

Lender shall consider whether applicant:

- Was in operation on 2/15/2020 AND
- Had employees for whom it paid salaries and payroll taxes

WHO CAN APPLY?

- All businesses – including nonprofits, veterans organizations, Tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees can apply.
- Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries.
- For this program, the SBA's affiliation standards are waived for small businesses in the hotel and food services industries, or that are franchises, see further guidance in these cases.
- Other SBA affiliation rules will apply.

MAXIMUM LOAN SIZE:

- Loans can be for up to 2 months of your average monthly payroll costs from the last year plus an additional 25% of that amount. The amount is subject to a \$10 million cap.
- If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at \$100,000 annualized for each employee.

HOW TO CALCULATE "AVERAGE MONTHLY PAYROLL":

- For purposes of calculating average monthly payroll, most applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee.
- For seasonal businesses, the applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs over \$100,000 on an annualized basis for each employee.
- For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.

ALLOWED USES OF LOAN PROCEEDS

(not all will be eligible for forgiveness):

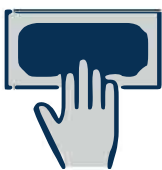
- Payroll costs, including benefits
- Interest on mortgage obligations, incurred before February 15, 2020
- Rent, under lease agreements in force before February 15, 2020
- Utilities, for which service began before February 15, 2020

WHAT COUNTS AS PAYROLL COSTS?

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee)
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit.
- State and local taxes assessed on compensation.
- For a sole proprietor of independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 annualized for each employee.

EIDL LOANS:

- If a borrower received an EIDL loan between January 31, 2020 and the date on which PPP loans are made available, and if the EIDL loan was for a different purpose than PPP loans, then a borrower may likely also receive a PPP loan.
- It is still unclear if a borrower could receive an EIDL loan after the date on which PPP loans are made available if for different purposes and trade industry representative has requested clarification.



LOAN FORGIVENESS

- 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.

- It is anticipated that not more than 25% of the forgiven amount may be used 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.

HOW CAN I REQUEST LOAN FORGIVENESS?

You will submit a request to your lender that is servicing the loan. The request will include documents:

- That verify the number of full-time equivalent employees and pay rates
- Eligible payments on mortgage (interest) or lease obligations
- Eligible utility obligations
- You must certify that the documents are true and that you used forgiveness amount to keep employees and make other eligible payments. The lender is required to make a decision on forgiveness within 60 days.
- Borrower must provide documentation to the lender to support the forgiveness request including (forgiveness may be approved without the required documentation)
- Documentation supporting verifying the number of full time equivalent employees on payroll and pay rates for the periods specified
- Payroll tax filings reported to IRS and State income, payroll and unemployment insurance filings
- Cancelled checks, payment receipts, transcripts of accounts or other documents verifying payments on covered mortgage obligations, payments on covered lease obligations and covered utility payments

WHAT DO I NEED TO CERTIFY?

- Current economic uncertainty makes the loan necessary to support ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease and utility payments.
- You have not and will not receive another loan under this program.
- You will provide to lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage payments, covered rent payments, and covered utilities for the 8 weeks after getting this loan.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

- All the information you provide 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 that the tax documents are identical to those you submitted to the IRS.
- And 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.



QUESTIONS?

If you have any questions related to the new SBA Loan programs, we have allocated resources to assist you. Please email us at SBAanswers@highland.bank and we will be happy to help!