

# Paycheck Protection Program

Amendments & New Guidelines

**VIP**

**2020**

# Amendment to the CARES Act

On April 24, the Paycheck Protection Program and Healthcare Enhancement Act was passed, which amends certain provisions of the CARES Act:

- \$310B added in appropriated loans under the PPP
- \$50B allocated for the economic injury disaster loan (EIDL) program
- \$10B appropriated for emergency EIDL grants
- No less than \$30B
- Expansion of eligibility for agricultural enterprises

# Interim Final Rule

The Small Business Association published an additional rule called the Interim Final Rule on Requirements for Promissory Notes, Authorizations, Affiliation and Eligibility, stating that:

- Hedge funds and private equity firms are not eligible to receive PPP funds
- Portfolio companies of private equity funds are eligible for PPP loans if they meet the following conditions:
  - Must meet affiliation rules provided [here](#). Affiliation rules are waived if the borrower received financial assistance from an SBA-licensed SBIC even if the borrower's affiliation with other entities would otherwise disqualify it from receiving a PPP loan
  - Must show that current economic uncertainty makes the loan request necessary to support ongoing operations
- Hospitals receiving less than 50% of its funding from state/local government resources, exclusive from Medicaid, may be eligible for a PPP loan
- Businesses with legal gaming revenue are now eligible to receive PPP loans if they otherwise meet eligibility requirements
- A borrower being owned by an employee stock ownership plan ("ESOP"), regardless of the number of employees that are participants of the ESOP, will not make the borrower ineligible for a PPP loan, provided that all other eligibility requirements would still apply.
- If an entity is in bankruptcy, the entity is ineligible for a PPP loan. Further, if an applicant enters into bankruptcy after submitting an application, the applicant must notify the lender and cancel the application.

# Paycheck Protection Program

## Qualification & Usage Guide

**VIP**

**2020**

# Qualification

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) increases the max Small Business Administration’s 7(a) loan amount to \$10 million and expands allowable uses of 7(a) loans to include various additional costs.

Is your business eligible for the SBA 7(a) Loan from the CARES Act? If you can answer “yes” to the questions below, you qualify.

**Is your business one of the following?**

- For profit business
- Sole proprietorship
- Nonprofit
- Veterans organization
- Tribal business concern

**Does your business have less than 500 employees\*?**

- Include all full-time, part-time, or other basis employees
- There are certain industries for which the SBA may allow more than 500 employees

# Loan Amount

Once qualified, you are eligible to receive a **maximum loan amount** of the lesser of:

The average monthly payroll costs\*  
during the 1-year period before the date  
on which the loan is made x 2.5

OR

\$10,000,000

## Includes:

- ✓ Salaries, wages, commissions & similar compensation
- ✓ Cash tips (or equivalent)
- ✓ Allowance for dismissal or separation
- ✓ Payments for group health care benefits
- ✓ Payment of retirement benefit
- ✓ Pay for vacation, parental leave, family/medical/sick leave
- ✓ Payment of state or local tax assessed on the compensation of the employees
- ✓ Payment to 1099 independent contractors

## Excludes:

- × Compensation in excess of \$100K for individual employee, prorated for covered period
- × Compensation for employee whose principal place of residence is outside of the US
- × Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-127)
- × Qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act (Public Law 116-127)

# Allowable Uses

The expanded allowable uses include:

- ✓ Payroll support
- ✓ Paid sick leave, family leave & corresponding costs related to group health care
- ✓ Employee salaries
- ✓ Mortgage payments
- ✓ Rent/Lease payments
- ✓ Utilities
- ✓ To pay off any other debt obligation entered into prior to February 15, 2020.

# Forgivability

If you can answer “yes” to the questions below, a portion of your loan may be forgivable.

**Has your business been substantially impacted by COVID-19?**

- Supply chain disruptions (quantity and lead time, quality, technology)
- Staffing challenges
- Decrease in sales/customers
- Closures

**Will your 7(a) loan be granted from February 15, 2020 to June 30, 2020?**

The portion of the loan that is forgivable includes the total of the following costs incurred and payments made during the covered period:

- Payroll costs
- Payment of interest on any covered mortgage obligation
- Any payment on any covered rent obligation
- Any covered utility payment
- Interest on permitted loans

# Forgivability Reductions

Loan forgiveness can be reduced if there is a reduction in the number of employees. Calculate reduction of forgiveness below:

## Based on reduction of number of employees

### Monthly Payroll Costs:

- ✓ Salaries, wages, commissions & similar compensation
- ✓ Cash tips (or equivalent)
- ✓ Allowance for dismissal or separation
- ✓ Payments for group health care benefits
- ✓ Payment of retirement benefit
- ✓ Pay for vacation, parental leave, family/medical/sick leave
- ✓ Payment of state or local tax assessed on the compensation of the employees
- ✓ Payment to 1099 independent contractors

**X**

### Average Number of FTEs

(for 8-Weeks following the Loan Origination)

**÷**

### Your FTE Benchmark

Based upon the lower of:

- Average number of FTEs per month from 2/15/19 to 6/30/19
- Average number of FTEs per month from 1/1/20 to 2/29/20
- Average number of FTEs per month from 2/15/19 to 6/30/19

# Forgivability Reductions

Loan forgiveness can be reduced by the amount of reduction in wages of greater than 25% paid to employees. Calculate reduction of forgiveness below:

## Based on reduction of salaries

- Applicable for any employee, who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000;
- Calculated as the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.
  - Use salary only for calculation
  - Be prepared to separate commissions, bonuses, overtime and other compensation above salaried 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 shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.