
MEMORANDUM

TO: Cornerstone Clients and Interested Parties
FROM: Cornerstone Government Affairs
SUBJECT: SBA Regulations Takeaways
DATE: April 2, 2020

The following is a summary of the highlights from the SBA's release of interim final rules relating to the Paycheck Protection Program.

- 1099 employees can't count towards an employer's payroll. They would have to file for their own PPP.
- Interest rate on the loans is 1% (100 basis points)
- Loan term is 2 years
- No borrower can apply for more than one loan. So pick the business you want to apply for if you own multiple businesses.
- Any repayment on the loan is deferred for 6 months but interest begins accruing immediately.
- It is possible to have 100% of your loan forgiven, provided all uses are for eligible forgivable costs.
- No more than 25% of loan forgiveness can be for non-payroll costs.
- To determine loan amount, aggregate payroll costs for last 12 months (so March 2019-March 2020???) and divide by 12 and then multiply by 2.5.
- This is FIRST COME FIRST SERVED
- To apply, applicants must submit SBA Form 2483 and payroll documentation; lenders have to submit SBA Form 2484 and supplementing documentation. All can be submitted electronically and electronic signatures are OK!
- Proceeds of the loan will be used for:
 - Payroll costs
 - Costs related to the continuation of group healthcare benefits during periods of paid sick, medical, or family leave, and insurance premiums
 - Mortgage interest payments (but not principal or prepayments)
 - Rent payments
 - Utility payments
 - Interest payments on any debt obligations incurred before 2/15/2020; and/or
 - Refinancing an SBA EIDL loan made between 1/31/2020 and 4/3/2020. If you received an EIDL loan between 1/31/2020 and 4/3/2020 you can apply for PPP loan. If your EIDL loan was NOT used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL was used for payroll costs your PPP MUST be used to refinance your EIDL. Proceeds from any advance up to \$10,000 on the EIDL loan will be reduced from the loan forgiveness amount for the PPP loan. Requirement to utilize 75% of loan for payroll costs still applies to EIDL loans refinanced into PPP loans.
- For forgiveness, applicants will have to document proceeds of the loan used for payroll costs – actual costs are what will be forgiven (then rent, mortgage interest, utilities up to 25%)
- If PPP proceeds are misused, SBA can require you to pay them back; if they are knowingly misused, they can also prosecute you for fraud. If one shareholder, partner, or member misuses funds, SBA will have recourse against that member, partner, or shareholder.
- APPLICANTS MUST CERTIFY:
 - Applicant was in operation on 2/15/2020 and had employees for whom it paid salaries and payroll taxes or it paid independent contractors;
 - Economic conditions make the loan necessary

- Funds will be used to maintain payroll or make other authorized payments
- Documentation verifying number of FTE on payroll as well as dollar amounts of payroll costs and other covered costs will be provided to the lender at the end of the 8 week period
- From 2/15/2020 – 12/31/2020 the applicant won't receive another loan under this program
- What you submitted is true; submitting false info punishable with fines and jail time
- Tax documents you submit to lender will be same you submit/have submitted to IRS
- WHAT LENDERS ARE APPROVED? SBA approved lenders are ok to make these loans. But more lenders needed so automatically approve the following lenders as long as they aren't designated in Troubled Condition by their primary federal regulator or are subject to a formal enforcement action by their primary federal regulator that addresses unsafe or unsound lending practices:
 - Any FDIC institution or federally insured credit union
 - Any Farm Credit System institution (other than the Federal Agriculture Mortgage Corporation)
 - Any depository or non-depository financing provider that originates, maintains or services business loans or other commercial financial receivables and participation interests AND has a formalized compliance program AND applies the requirements under the BSA as a federally regulated financial institution AND has been operating since 2/15/2020 AND has originated, maintained, or serviced at least \$50 million in business loans in a consecutive 12 month period during the last 36 months OR is a service provider to any insured depository institution that has a contract to support the institution's lending activities
- WHAT LENDERS MUST CERTIFY
 - Confirm receipt of borrow certifications
 - Confirm borrower paid salaries and payroll taxes on or around February 15, 2020
 - Follow applicable BSA requirements
- LENDER'S OBLIGATIONS - Each lender's underwriting obligation under the PPP is limited to the items listed in this section and reviewing the "Paycheck Protection Application Form". Borrowers must submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.
 - Lender does not need to conduct any verification if the borrower submits documentation supporting its request for loan forgiveness and attests that it has accurately verified the payments for eligible costs.
 - SBA will pay lenders fees for processing PPP loans in the following amounts: i. Five (5) percent for loans of not more than \$350,000; ii. Three (3) percent for loans of more than \$350,000 and less than \$2,000,000; and iii. One (1) percent for loans of at least \$2,000,000.
- BORROWERS AND LENDERS SHOULD KNOW
 - No upfront fee payable to the SBA by the borrower
 - No personal guarantee or collateral required on these loans
 - No lender's annual service fee
 - No recoupment fee
 - No fee payable to the SBA for any guarantee sold into the secondary market
 - Agent fees paid by the lender
 - Loans can be sold on the secondary market
 - SBA can purchase some or all of the loan in advance

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