

Paycheck Protection Program Guidelines

The Coronavirus Aid, Relief and Economic Security (CARES) Act created a new program within the U.S. Small Business Administration (SBA) called the “Paycheck Protection Program” (PPP). Under the program, the SBA will guarantee 100% of loans made by participating lenders, such as First National Bank (FNB), to certain small businesses, nonprofit organizations, veteran organizations and tribal businesses. The CARES Act authorizes \$660 billion for loan commitments under the Program, with participants eligible to borrow up to \$10 million, during the period February 15, 2020, through June 30, 2020. If your business maintains payroll during this pandemic or restores payroll after the crisis has passed, your loan may be forgiven.

As an SBA Preferred Lender, FNB can help you decide if the PPP can benefit you.



Small Business Eligibility

A small business with fewer than 500 employees or that otherwise meets the SBA’s size standard qualifies for a loan. The 500-employee threshold includes all employees — full-time, part-time and any other status.

Other eligible entities include:

- Sole proprietors
- Independent contractors
- Self-employed individuals
- Tribal business concerns that meet the SBA size standard
- 501(c)(3) organizations with fewer than 500 employees
- 501(c)(19) Veterans organizations that meet the SBA size standard

Lender Considerations

A lender will consider whether the borrower was in operation on February 15, 2020, and had employees for whom they paid salaries and payroll taxes. Small businesses will also need to provide a good faith certification (see application for complete documentation requirements), including:

- Uncertain current economic conditions make the loan request necessary to support ongoing operations
- Loan proceeds will be used by the borrower to retain workers and maintain payroll or make mortgage, lease and utility payments
- The borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
- The borrower has not received a loan duplicative of the purpose and amounts applied for from February 15, 2020, to December 31, 2020. (Emergency loans made between January 31, 2020, and the date this loan program becomes available may be folded into a new loan.)

Independent contractors, sole proprietors or self-employed individuals may need to provide specific documents such as payroll tax filings, Forms 1099-MISC, Form 1040 Schedule C, and income and expenses from a sole proprietorship.

Notably, as part of the program, FNB will not consider whether the borrower sought and was unable to obtain credit elsewhere. Additionally, a personal guarantee is not required for the loan, and no collateral is required.

Special Eligibility Rules

The following special eligibility rules also apply:

- For accommodation and food services businesses, the 500-employee rule applies on a per physical location basis.
- For those operating as a franchise or that receive financial assistance from an approved Small Business Investment Company, the normal affiliation rules do not apply.

Loan Amount and Limits

A loan can be as much as 2.5 times the borrower's average monthly payroll costs, not to exceed **\$10 million**.

Calculating loan maximums for non-seasonal employers:

Maximum loan =

2.5 X [average total monthly payroll costs incurred during the year prior to the loan date]

For businesses not operational in 2019:

2.5 X [average total monthly payroll costs incurred for January and February 2020]

Calculating loan maximums for seasonal employers:

Maximum loan =

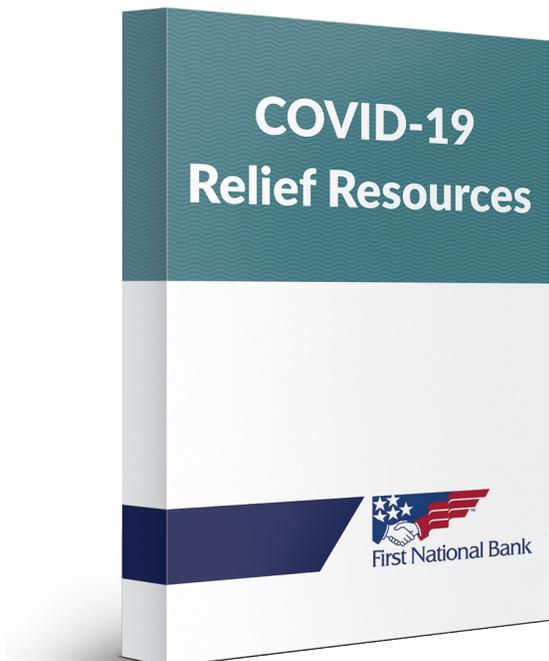
2.5 X [average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019, or March 1, 2019, (decided by the loan recipient) and ending June 30, 2019]

For employers, payroll costs **include** the sum of payments of any compensation 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

For sole proprietors, independent contractors and self-employed individuals, payroll costs include 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 an amount not more than \$100,000 in one year, as prorated for the covered period.

This loan has a maturity of 2 years and an interest rate of 1%.



The following are excluded payroll costs:

- Compensation of an individual employee in excess of \$100,000, as prorated for the period February 15 – June 30, 2020
- Payroll taxes, railroad retirement taxes and income taxes
- Compensation of an employee with a principal place of residence outside of the United States
- Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116– 5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act

Loan Forgiveness

Borrowers are eligible for loan forgiveness under the program 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 (use the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities, such as: electricity, gas, water, transportation, telephone or internet
- For borrowers with tipped employees, additional wages paid to those employees

The loan forgiveness cannot exceed the principal.

Potential Loan Forgiveness Reductions

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 (explained in more detail below).

PAYROLL
COST



[average number of full-time equivalent employees (FTEs) per month for the eight-weeks beginning on loan origination]



OPTION 1 [average number of FTEs per month from February 15, 2019 to June 30, 2019]

OPTION 2 [average number of FTEs per month from January 1, 2020 to February 29, 2020]

FOR SEASONAL EMPLOYERS [average number of FTEs per month from February 15, 2019 to June 30, 2019]

PAYROLL COST
CALCULATION
ABOVE



For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25 percent compared to their most recent full quarter.

Note: 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, as compared to February 15, 2020, will not reduce the amount of loan forgiveness **IF** by June 30, 2020, the borrower eliminates the reduction in employees or reduction in wages.

What You Can Do Now

First National Bank is offering several relief programs to support small businesses that may be struggling to navigate the financial challenges related to the current national health crisis. Business owners and operators who want to apply for the Paycheck Protection Program, or any of our small business relief programs, should contact their Relationship Manager or banker to discuss their current business and financial needs or visit our [website](#) to begin the application process.



All programs are subject to final credit approval by First National Bank.