

Coronavirus Relief for Businesses: Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed into law to help distribute capital quickly and broadly to businesses impacted by COVID-19. This Act allocates almost \$350 billion to help businesses keep workers employed amid the pandemic and economic downturn during the impacted period of February 15 to June 30, 2020.

What do I need to know?

Paycheck Protection Program

Known as the Paycheck Protection Program (PPP), this program provides federally guaranteed loans to eligible businesses. Businesses can use the funds to help meet certain working capital needs and operating expenses as they recover from the pandemic's impact.

Terms of a PPP loan include a maturity of 2 years and an annual interest rate of 1.0%, with the initial 6 months of payments automatically deferred.

Unlike normal loans under Section 7(a) of the Small Business Act, PPP loans:

1. Are not required to be secured by collateral or personally guaranteed
2. Do not require that the borrower be unable to find credit elsewhere

Loan Forgiveness

PPP Loans may be eligible for forgiveness if certain conditions are met relating to the borrower's expenses and maintenance of employment and wage levels. Up to 100 percent of the loan principal may be forgiven.

A borrower may be eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on existing mortgage obligations incurred in the ordinary course of business
- Rent under an existing lease agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, eligible additional wages paid to those employees

Only 25% of the amount forgiven may be based on non-payroll costs. The amount forgiven is reduced if the borrower has a workforce reduction or a reduction in the salary or wages of employees during the calculation period. A temporary reduction that is reversed by June 30, 2020 will not trigger a reduction in loan forgiveness.

For more information on how to calculate loan forgiveness, please see:

uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final_revised.pdf

How much can I borrow?

A qualified small business may be eligible to borrow up to 2.5x of its adjusted average monthly payroll costs* for the applicable period (plus the refinanced amount of any SBA EIDL loan made between January 31, 2020 and April 3, 2020) not to exceed \$10 million.

*Payroll costs include salaries, wages, qualified leave payments, severance payments, payments of group health benefits and retirement benefits, and state and local taxes assessed on compensation. Payroll costs exclude (i) compensation in excess of \$100,000 for any individual employee (on an annual basis, subject to proration), (ii) Social Security, Medicare and income withholding taxes, (iii) compensation paid to residents of foreign countries and (iv) wages in respect of sick leave or family leave for which a credit is allowed under section 7001 or 7003, respectively, of the Families First Coronavirus Response Act.

Do I qualify for a PPP loan?

Eligible businesses are expected to include the following if in operation on February 15, 2020:

- A business with 500 or fewer employees
- A business that otherwise meets the SBA's size standard
- A 501(c)(3) with 500 or fewer employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard
- For business whose NAICS code begins with 72 (primarily food service and hospitality businesses), franchises registered with the SBA, and businesses who receive financial assistance from a SBA-licensed SBIC, the size standard is expanded to ≤500 employees per physical location.

For the purposes of determining the 500 employee threshold, applicants should include full time, part-time and other basis employees.

In addition some special rules may make your business eligible: (1) if your business is classified in the Accommodation and Food Services Sector (NAICS 72), the 500-employee rule is applied on a per physical location basis; and (2) if you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply.

How do I apply?

Please visit tcfbank.com/businessrelief/chemicalbank.com/businessrelief to submit your application. TCF National Bank is an SBA 7(a) Preferred Lender.

Where can I go for help?

We are here to support you along the way and will continue to update you and provide additional resources as we learn more about the relief being offered to businesses. Please note that there are several different assistance programs as part of the CARES Act, and we recommend that you also consult accounting and tax professionals as you evaluate which program is right for your business.

For additional details on COVID-19 Disaster Assistance, visit:

sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp