



## **Paycheck Protection Program (PPP) Loan Q&A**

**March 29, 2020**

**TO: Mississippi Trade Associations**

On Friday President Trump enacted the Paycheck Protection Program, which will allow banks to issue SBA forgivable loans to small businesses that can attest to suffering economic hardship as a result of the COVID-19 crisis. Many Mississippi banks are preparing now to make these loans, and we wanted to share this information on the program for you to share with your members.

Before loans can be made, guidance must be issued by the Small Business Administration (SBA). We expect that guidance could come as early as Monday afternoon, and many banks will work as fast as possible to help make these loans once the guidance is made. While the pending SBA guidance should give lenders specifics on PPP operations, we thought it would be helpful to provide this information to your members now as we await the guidance. Please be reminded that banks are receiving information on how this program will work at the same time as borrowers, and as with any government program some time may be required for paperwork and other

### **Who can get a loan?**

Businesses, including self-employed and independent contractors, 501 (C)(3) nonprofits, veterans' organizations (501 C19) and tribal business concerns, with less than 500 employees.

### **Where do I apply?**

Any federal insured lender participating in the SBA program. Note that many Mississippi banks have instituted lobby access restrictions to comply with the executive order limiting gatherings in Mississippi to less than 10 people, so be sure to call your bank to ask about your bank's lobby policy before driving to the branch.

### **How much can I borrow?**

2.5 times an employer's average monthly payroll, up to \$10 million

### **How much will be forgiven?**

The principle balance of the loan will be reduced by an amount equal to all expenses for payroll, utilities, and rent or mortgage interest, during the 8-week period after the loan is granted. Any remaining principle balance will be amortized over a period of up to 10 years. However, the first payment will be deferred for 12 months. Employers are required to maintain payroll levels to maintain forgiveness.

**How much is the interest rate?**

Remaining principle balance after loan forgiveness will be charged interest not to exceed 4% but will vary depending on the length of term (up to 10 years).

**What documentation will I need?**

The guidelines have not yet been published, and we anticipate them next week. Right now, it is clear you will need to establish an average monthly payroll (there are limitations for employees that make over \$100,000 that must be clarified in the pending guidance). Otherwise, there is no credit underwriting, so no tax returns, financial statements, credit reports, guarantees, etc. will be required.

**Does a business have to be negatively impacted by the COVID-19 virus in order to get a loan?**

Borrowers will be required to attest that the COVID-19 virus has negatively impacted its business.

**How long will it take to get approved?**

SBA's expected guidance will have provided clarity on this question. It is our hope that when the program is fully up and running, loans will be funded the same day the application is completed. However, it may take a couple of weeks to get the program up to this speed.

**EXAMPLE:**

A small business with fewer than 500 employees and an average monthly payroll of \$150,000 applies for a PPP loan with its bank. After attesting that the COVID-19 virus has impacted its business operations, the business receives a PPP loan of \$375,000. Over the next 8 weeks it is determined that the business has incurred \$350,000 in eligible payroll, rent and utilities expenses. The principle balance of the loan is reduced to \$25,000 and amortized over 10 years at an interest rate not to exceed 4%. The first loan payment is due 12 months later. The program prohibits SBA from charging fees to the lender and the borrower.