CARES ACT
LOAN INFORMATION

With the passage of the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Federal Government has allocated $350 billion to the Small Business Administration to be distributed as special 7a loans. These loans are meant to help maintain a company's payroll and help with operating expenses during the Pandemic. This portion of the CARES Act is what's known as the *Paycheck Protection Program*.

An important feature of these loans is that they are eligible to be forgiven by the Government if certain conditions are met.

In this quick guide, we will go over everything you need to know about how to apply for these loans, who is eligible to receive them, and what parts of them qualify for forgiveness.

1   LOAN ELIGIBILITY

There Are Three Primary Standards Of Eligibility For This Program:

» You have to have 500 or fewer employees (full-time, part-time, and any other staff)

» You have to have been in business on February 15, 2020

» You have to have employees for whom you paid salaries and payroll taxes

More Specifically, The Following Groups Are Also Eligible:

» A small business that otherwise meets the SBA's size standard

» A 501(c)(3) with fewer than 500 employees

» An individual operating a sole proprietorship

» An individual who operates as an independent contractor

» An individual who is self-employed who regularly carried 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's size standard

» If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis.

» Lastly, 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.

Additionally, lenders will ask for a good faith certification that the current economic situation makes this loan necessary to continue business operations, that they will only use the loan for the approved uses, and that they don't already have a loan pending for the same purpose. In the event that you already have an SBA Emergency Loan (made between Jan 31, 2020, and the start of the CARES Act), it can be folded into a new SBA loan as part of the CARES Act.

2 LOAN AMOUNTS AND TERMS

The loan can be 2.5 times your average monthly payroll costs during the one year period proceeding the origination date of the loan and can't exceed $10,000,000. If you weren't in business in 2019, it will be 2.5 times the average monthly payroll for January and February 2020.

The following counts as payroll:

» Salary, wage, commission, or similar compensation

» Payment of cash tip or equivalent

» Paid vacation, family and sick leave

» Payment of retirement benefits

» Allowance for dismissal or separation

» Payment required for the provisions of group health care benefits, including insurance premiums

» Payment of state or local tax assessed on the compensation of the employee

The following do not count as payroll:

» Employee compensation over $100,000 a year, $8,333.33 per month

» Federal tax withholdings

» Compensation for employees that live outside of the US

» Sick and family leave provided by the Families First Coronavirus Response Act

» If you are a Sole Proprietor, Independent Contractor, or Self-Employed, any wage, commission, income, or net earnings that is not more than $100,000 in one year, as pro-rated for the covered period.

Loan proceeds can be spent on the following areas:

» Payroll support, including paid sick, medical, or family leave, and costs related to the continuation of group health care benefits during those periods of leave

» Employee Salaries

» Mortgage payments

» Rent (including rent under a lease agreement)

» Utilities

» Any debt obligations that were incurred before 2/15/20

3 Loan Parameters

**SBA Loans Issued Under The CARES Act Are Packaged As 7(a) Loans.
They Have:**

» A 4.00% fixed interest rate

» Get repaid over a 10 year period

» Repayment is deferred for the first 6-12 months

» Up to 100% of the principal can be forgiven

4   LOAN FORGIVENESS

Payroll Protection Loans are eligible for forgiveness of the amount equal to what the borrower spent during the 8-week period beginning on the origination date of the loan for:

»   Payroll costs (same criteria used to determine eligibility)

»   Rent (including rent on a lease agreement)

»   Utility payments (gas, water, power, transportation, internet, and telephone)

»   Interest on a mortgage obligation

»   Additional wages given to tipped employees

This forgiveness will decrease if an employer reduces its number of employees or reduces their pay by more than 25%. However, reductions in employees or wages that occur between February 15, 2020, and ending 30 days after the enactment of the CARES Act won't reduce the amount of loan forgiveness if the borrower restores these employees and wages by June 30, 2020.

The Amount That The Loan Forgiveness Will Decrease By Can Be Found In The Following Ways:

»   For a decrease in the number of employees:

»   Multiply the average monthly payroll cost by the Average number of full-time employees per month for the 8 weeks after the loan was originated

»   Divide this number by the average number of full-time employees you had from February 15, 2019 - June 30, 2019.

> *(Alternatively, if you were not in business during that time, you would divide by the average number of full-time employees you had from January 1, 2020 - February 29, 2020)*

For A Decrease In The Wages Of Employees:

»   Start with the average monthly payroll cost

»   Subtract from it the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter

5   HOW TO APPLY

To start the application process, please visit our application page at **https://www.sunwestbank.com/SBA-Relief/** or contact your Sunwest Bank relationship manager.

To get access to the forms you will need, please visit our SBA COVID-19 Downloads page at **https://www.sunwestbank.com/lending/sba/sba-covid-19-downloads/**.

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