



Texas Bankers Association

Strong Banks. Stronger Communities.

# CARES Act Small Business Assistance

## PAYCHECK PROTECTION PROGRAM (PPP) LOANS

### BASIC GROUNDRULES:

100% guarantee by the SBA.

### WHO IS ELIGIBLE TO PARTICIPATE?



SMALL  
BUSINESS



SOLE  
PROPRIETOR



INDEPENDENT  
CONTRACTOR



SELF  
EMPLOYED



NONPROFIT  
ORGANIZATION



VETERANS  
ORGANIZATION



TRIBAL  
CONCERN

Business concerns with more than one location are eligible, and affiliation rules are waived for franchises with fewer than 500 employees.

- Employees include full time, part time, and "other."

## MAXIMUM AMOUNT OF PPP LOAN

THE  
SUM  
OF:

**2.5X**  
AVERAGE TOTAL  
MONTHLY  
PAYROLL

Incurred over one year period  
(12 week period for seasonal  
employees)



Outstanding SBA EIDL loan  
(Economic Injury Disaster  
Loan)

MAXIMUM LOAN AMOUNT MAY NOT EXCEED \$10,000,000

### WHAT IS A COVERED LOAN (PPP LOAN)?

Payroll costs equal:

- 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 for healthcare benefits;
- Payment for retirement benefits; and
- Payment of payroll taxes.

Loans made between



are covered.

## ELIGIBILITY:

In evaluating eligibility of a borrower, a lender shall consider whether the borrower:

- Was in operation on February 15, 2020; and
- Had employees for whom the borrower paid salaries and payroll taxes or paid independent contractors.

## NONRECOURSE:

The SBA Administrator shall have no recourse against any eligible recipient of a covered loan.

## WHAT DOES A SMALL BUSINESS NEED TO PROVIDE ON ITS PPP LOAN APPLICATION?

- ✓ The uncertainty of current economic conditions makes the loan necessary to support its ongoing operations;
- ✓ Acknowledge that funds will be used to retain workers and maintain payroll, or make mortgage, lease, and utility payments;
- ✓ The eligible recipient does not have an application pending for another PPP loan for the same purpose and duplicative of amounts applied for or received under the current loan application; AND
- ✓ During the period beginning on February 15, 2020 and ending on December 31, 2020 that the eligible recipient has not received PPP loans for the same purpose and duplicative of amounts applied for or received under a covered loan.

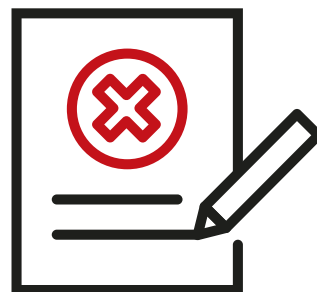


## FEE WAIVER:

- During the covered loan period with respect to a covered loan, the SBA waives fees.

## WAIVER OF PERSONAL GUARANTEE REQUIREMENT:

- Borrowers shall not be required to provide a personal guarantee for a covered loan; and
- No collateral shall be required for the covered loan.



## WHAT CAN I PAY FOR WITH MY PPP LOAN PROCEEDS?

- Payroll costs;
- Group healthcare benefits during the covered period, including paid sick, medical or family leave, and insurance premiums;
- Employee salaries, commissions, or similar compensations;
- Payments of mortgage interest (excluding principal);
- Rent;
- Utilities; and
- Interest on any other debt obligations that were incurred during the covered period.

## WHO CAN MAKE PAYROLL PROTECTION LOANS?

- A lender approved to make loans under this section shall be deemed to have been delegated authority by the SBA to make and approve covered loans.
- The authority to make PPP loans shall be extended to additional lenders determined by the SBA and the Secretary of the Treasury to have necessary qualifications to process, close, disburse and service loans made with the guarantee of the Administration.

***(This means that lenders do not have to currently be certified SBA lenders to participate.)***

## LOAN DEFERMENT:

An impacted borrower:

- Must be in **operation on February 15, 2020** and has an application for a covered loan that is approved on or after the date of CARES Act enactment.
- **Presumed to have been adversely impacted by COVID-19.**

During the covered period, the SBA shall:


- Consider each eligible recipient that applies for a **covered loan to be an impacted borrower.**
- Require PPP lenders to provide complete payment deferment relief for borrowers with PPP loans for a period of not less than 6 months, including principal, interest, and fees, and not more than 1 year.

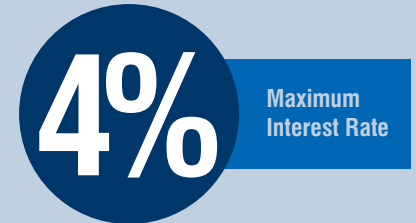
**GUIDANCE:** SBA shall provide guidance to PPP lenders on the deferment process within 30 days of enactment. (April 26, 2020)

## WHAT DOES A PPP LENDER NEED TO KNOW?

- If a PPP loan is sold on the **secondary market** and an investor declines to approve a deferral request, the SBA will purchase the loan so the borrower can receive the deferral period.
- From a regulatory capital standpoint, PPP loan carries 0% risk weight;
- FDIC-insured institution that modifies a PPP loan in a TDR on or after March 13, 2020 shall not be required to comply with FASB TDR standards until such time and under such circumstances as the appropriate federal banking agency deems appropriate.
- **IN GENERAL:** SBA shall reimburse a lender authorized to make a PPP loan at a rate, based on the balance of the financing outstanding at the time of the disbursement of the PPP loan, of:



- A reimbursement shall not be made later than **5 days after the disbursement** of the PPP loan. 
- A recipient of an **EIDL loan** made between January 31, 2020 and June 30, 2020 is still eligible to apply for a PPP loan during the covered period.
- **THERE SHALL BE NO PREPAYMENT PENALTY FOR ANY PAYMENT MADE ON A COVERED LOAN.**



## WHEN DOES THE BORROWER HAVE TO START REPAYING THE LOAN?

Lenders must provide complete payment deferment relief for not less than 6 months and not more than 1 year.