

Keeping American Workers Paid and Employed Act Payroll Protection Loan FAQ

updated April 4, 2020

Question:	Answer:	Comments:
Who is making the loans?	Banks and other financial institutions will make the loans.	The SBA is guaranteeing 100% of the loan.
How much is available?	\$349 Billion	
How do I apply?	Contact your bank and ask if they are participating in the Payroll Protection Program.	
What is the last day that I can apply?	June 30, 2020	
Are the loans first come, first served?	Yes	
Who is eligible?	<ul style="list-style-type: none"> - Any US business (including public and private nonprofits, sole proprietors and independent contractors) that was operating on February 15, 2020 and had employees on payroll; and - Employs no more than 500. <p>Having alternative sources of funds is not disqualifying.</p>	<p>The SBA's affiliation rule do apply in determining eligibility, except for hospitality business or franchises.</p> <p>Full and part-time employees count toward the total number of employees.</p>
What is the maximum amount my business can borrow?	\$10 Million	<p>Payroll costs include the following:</p> <ul style="list-style-type: none"> -Wages and tips up to \$100,000 per annum per employee; -Vacation and sick leave; -Separation allowance; -Group Health Insurance Premiums; -Retirement Benefits; -State and Local Payroll Taxes;

Manchester

900 Elm Street
Manchester, NH 03101
(603) 625-6464

Woburn

300 TradeCenter
Woburn, MA 01801
(781) 904-2700

Concord

11 S. Main Street
Concord, NH 03301
(603) 226-0400

Portsmouth

100 Arboretum Drive
Newington, NH 03801
(603) 436-2818

Boston

45 School Street
Boston, MA 02108
(617) 523-7935

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How do I calculate the amount of the loan?	<ol style="list-style-type: none"> 1. Aggregate payroll costs from the last 12 months for employees who are US residents. There are different calculation periods for seasonal businesses. [Note: The guidance and the application are unclear regarding whether the 12 months is calculated based on the trailing 12 months or the 2019 payroll.] 2. Subtract compensation in excess of an annual salary of \$100,000. 3. Divide the total by 12 to determine average monthly payroll. 4. Multiply the average monthly payroll by 2.5. 5. Add the outstanding amount of any Economic Injury Disaster Loan made between January 31, 2020 and April 30, 2020, less the amount of any advance under an EIDL COVID-19 loan. 	<p>Payroll costs include the following:</p> <ul style="list-style-type: none"> -Wages and tips up to \$100,000 per annum per employee; -Vacation and sick leave; -Separation allowance; -Group Health Insurance Premiums; -Retirement Benefits; -State and Local Payroll Taxes <p>[Note: Payroll costs do not include:</p> <ul style="list-style-type: none"> - Compensation paid to non-US residents; - payroll costs in excess of \$100,000; - federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020; - qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act

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How can I use the funds?	<p>You can use the funds to pay operating costs during the eight (8) week period following the origination of the loan.</p> <ul style="list-style-type: none"> - Payroll costs (as described above) - Mortgage interest -Rent - Utility payments - Interest on debt <p>At least 75% PPP loans proceeds must be used on payroll costs.</p> <p>Note more that 25% of the loan may be used for non-payroll costs.</p>	
Will the lender take a lien on the business assets?	No. All collateral requirements are waived.	
Will I need to provide a personal guaranty?	No. During the period from 2/15 to 6/30, the loans are non-recourse if the funds are used for permitted purposes.	
Are these recourse loans?	No. Although the loans are non-recourse, borrowers who knowingly use the loan proceeds for unauthorized purposes will be subject to additional liability such as charges for fraud. If one of the borrower's shareholders, members, or partners uses the loan proceeds for unauthorized purposes, the SBA will have recourse against that shareholder, member or partner.	
What fees will be charged?	The SBA is waiving all fees associated with the loans. Lenders are receiving payment from the SBA equal to a percentage of the total loan amount.	Lenders will receive a fee of 5% of any loan less than \$350,000, 3% of a loan greater than \$350,000 and less than \$2,000,000, and 1% of loans not less than \$2,000,000

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What portion of the loan will be forgiven?	<p>The amount forgiven equals the lenders reasonable expectation of what the business will spend on the following operating costs during the eight (8) week period following the loan date (the “covered period”):</p> <ul style="list-style-type: none"> - Payroll costs (as described above) - Mortgage interest - Rent - Utility payments <p>The forgiven amount will be reduced by:</p> <p>(a) the percentage obtained by dividing the number of employees during the covered period and the average number of employees during the period from February 15, 2019 and June 30, 2019 OR January 1, 2020 and February 29, 2020 and</p> <p>(b) the percentage by which compensation is reduced in excess of 25% during the covered period as compared to the most recent calendar quarter.</p>	Mortgage interest and rent obligations must have been incurred prior to February 15, 2020.
Will I be penalized if I have terminated or furloughed workers?	Not with respect to the forgiven amount provided that you rehire the employees and pay them during the covered period.	
Will I be taxed on the forgiven amount?	No. The forgiven amount is specifically excluded from gross income.	
What happens to any balance remaining after forgiveness?	The SBA will continue to guaranty the loan. Payments will be deferred for a period of 6 months, interest will accrue during this deferral period. The maturity date is 2 years. The interest rate is 1%.	
When will the loans be available?	April 3, 2020	

Question:	Answer:	Comments:
What documents do I need to file?	SBA Form 2483 – Paycheck Protection Program Application Any documents requested by your bank.	

If you have any questions about the Coronavirus Aid, Relief & Economic Security Act (“CARE Act”) or the foregoing summary of the Keeping American Workers Paid and Employed Act, please contact Patrick C. Closson, Chair of McLane Middleton’s Corporate Department or Charla Bizios Stevens, Chair of McLane Middleton’s Employment Law Practice Group at McLane.com.