

## Loans Under Paycheck Protection

### Loans Under Paycheck Protection Program (Section 1102)

Section 1102 provides \$350 billion for expedited individual loans up to \$10 million through approved lenders that are guaranteed 100 percent by the U.S. government. The loan proceeds can be used to cover payroll support, such as employee salaries, paid sick or medical leave, insurance premiums, and mortgage, rent, and utility payments incurred from February 15, 2020, through June 30, 2020. The maximum amount of a loan equals 2.5 months of regular payroll expenses (subject to a cap of a \$100,000 of annual salary per employee).

**Benefits for Borrowers:** Borrowers are eligible for loan forgiveness equal to the amount spent by the borrower during an eight week period after the origination date of the loan on payroll costs, interest payment on any mortgage incurred prior to February 15, 2020, payment of rent on any lease in force prior to February 15, 2020, and payment on any utility for which service began before February 15, 2020. Borrower and lender fees are waived. Collateral and personal guarantee requirements are waived. The maximum interest rate is four percent and loan maturity can be as long as 10 years. No prepayment fees will be charged. Loan payments can be deferred for 6-12 months.

**Benefits for Lenders:** Allows loans to be sold on the secondary market. Provides the regulatory capital risk weight of loans made under this program, and temporary relief from troubled debt restructuring (TDR) disclosures for loans that are deferred under this program. Lender compensation for servicing the loan is five percent for loans of not more than \$350,000; three percent for loans of more than \$350,000 and less than \$2,000,000; and one percent for loans of not less than \$2,000,000.

### Eligible businesses include:

Businesses with fewer than 500 employees.

Small businesses as defined by the Small Business Administration (SBA) Size Standards at 13 C.F.R. 121.201.

501(c)(3) nonprofits, 501(c)(19) veteran's organization, and Tribal business concern described in section 31(b)(2)(C) of the Small Business Act with not more than 500 employees.

Hotels, motels, restaurants, and franchises with fewer than 500 employees at each physical location without regard to affiliation under 13 C.F.R. 121.103.

Businesses that receive financial assistance from Small Business Investment Act Companies licensed under the Small Business Investment Act of 1958 without regard to affiliation under 13 C.F.R. 121.10.

Sole proprietors and independent contractors.

### Application Process:

Current lenders through the Small Business Administration 7(a) are authorized to make determinations on borrower eligibility and creditworthiness without going through the SBA. These lenders can be found [here](#). For eligibility purposes, lenders will not be determining eligibility based on repayment ability, but rather whether the business was operational on February 15, 2020, and had employees for whom it paid salaries and payroll taxes, or a paid independent contractor.

### Timeline:

The SBA is required to issue implementing regulations within 15 days and the U.S. Department of Treasury will be approving new lenders