

# **A BUSINESS OWNER'S GUIDE TO THE PAYCHECK PROTECTION PROGRAM ESTABLISHED UNDER THE CARES ACT**

**Updated as of April 1, 2020**

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), was enacted to help large and small businesses, individuals and families weather the effects of the COVID-19 pandemic. The CARES Act allocates \$349 billion to the Small Business Administration (SBA) to offer loans and grants to small businesses on favorable terms. The loans are administered under a newly established Paycheck Protection Program (PPP), which is being implemented by the SBA with support from the Department of the Treasury.

**The following information is intended to be a general overview and is based upon guidance issued by the SBA and the U.S. Department of the Treasury. This information may be supplemented and revised as more guidance becomes available and does not constitute legal or tax advice. Full PPP requirements can be found online at [home.treasury.gov](https://home.treasury.gov).**

## **Highlights of PPP:**

- Uninvest is authorized to provide PPP loans.
- There is no cost to apply.
- PPP loans may be eligible for forgiveness, subject to certain limitations.
- All loan terms are the same for everyone.
- There are no prepayment penalties.

## ***What businesses are eligible to be considered for a PPP loan?***

All businesses – including nonprofits, veterans organizations, Tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees can apply. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries. For this program, the SBA's affiliation standards are waived for small businesses (1) in the hotel and food services industries; or (2) that are franchises in the SBA's Franchise Directory; or (3) that receive financial assistance from small business investment companies licensed by the SBA. Additional guidance may be released by the SBA.

## ***How do PPP loans work?***

The PPP is a SBA program. Banks authorized to make loans under the SBA's current Business Loan Program, such as Uninvest, are automatically approved to make and approve PPP loans. **All loan terms will be the same for everyone.**

Loans can be for up to two months of a business's average monthly payroll costs from the last year plus an additional 25% of that amount. However, that amount is subject to a \$10 million

cap. If a business is seasonal or new, different applicable time periods will be used for the calculation. Payroll costs will be capped at \$100,000 annualized for each employee.

Each loan is for a term of two years and interest rates are fixed at 0.50%. All payments are deferred for 6 months; however, interest will continue to accrue over this period. PPP loans can be prepaid and there are no prepayment penalties or fees. No collateral or personal guarantees are required for PPP loans. **However, if the proceeds are used for fraudulent purposes, the U.S. government has indicated that it will pursue criminal charges.**

Unlike other SBA programs, there is no requirement for a business to try to obtain some or all of the loan funds from other sources.

### ***What can the funds be used for?***

Proceeds of PPP loans can be used for: payroll costs, including benefits; interest on mortgage obligations incurred before February 15, 2020; rent under lease agreements in force before February 15, 2020; and utilities, for which service began before February 15, 2020. Payroll costs include: salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee); employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit; state and local taxes assessed on compensation. For a sole proprietor or independent contractor, payroll costs include wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee/individual.

### ***How is loan forgiveness determined?***

Loan amounts will be forgiven as long as: the loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made; and employee and compensation levels are maintained. Payroll costs are capped at \$100,000 on an annualized basis for each employee. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

Loan amounts will not be forgiven (or the amount forgiven will be reduced) if a business does not maintain its staff and payroll.

- **Number of Staff:** Loan forgiveness will be reduced if a business decreases its full-time employee headcount.
- **Level of Payroll:** Loan forgiveness will also be reduced if a business decreases salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- **Re-Hiring:** A business will have until June 30, 2020 to restore its full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

In order to request loan forgiveness, a business must submit a request to the lender that is servicing the PPP loan. The request must include documents that verify the number of full-time

equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. The business must certify that the documents are true and that the forgiveness amount was used to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days.

### *How does an eligible business apply for a PPP loan?*

In order to apply for a PPP loan, an eligible business is required to complete the Paycheck Protection Program loan application, which can be found online at <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>.

As part of the application, each business as well as each owner of 20% or more of the business will be required, among other things, to certify in good faith that:

- Current economic uncertainty makes the loan request necessary to support the ongoing operations of the business.
- The funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments.
- Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following this loan will be provided to the lender.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than twenty-five percent (25%) of the forgiven amount may be for non-payroll costs.
- During the period beginning on February 15, 2020 and ending on December 31, 2020, the business has not and will not receive another loan under the PPP.
- All information provided in the application and the information that is provided in all supporting documents and forms is true and accurate.
- The applicant acknowledges that the lender will calculate the eligible loan amount using tax documents submitted and affirms that these tax documents are identical to those submitted to the IRS.

In addition, each applicant is required to represent that:

- The applicant has read and understands the Statements Required by Law and Executive Order included in the application.
- The applicant will comply, whenever applicable, with the civil rights and other limitations in the application.
- All SBA loan proceeds will be used only for business related purposes as specified in the application.
- To the extent feasible, the applicant will purchase only American-made equipment and products.

- The Applicant is not engaged in any activity that is illegal under federal, state or local law.

Applications must be completed, signed and dated by each applicant that is an individual, as well as each owner of 20% or more of the business. Knowingly making a false statement to get a loan under the PPP is punishable by law.

The completed application and required payroll documentation must be submitted to an approved lender that is available to process the application by June 30, 2020. Although the PPP is open until June 30, 2020, businesses are encouraged to apply as quickly as possible because there is a funding cap and lenders need time to process the loans.

***What type of supporting documentation should accompany the application?***

It is essential that each applicant gather and present evidence that the applicant was in operation as of February 15, 2020, as well as adequate supporting financial documentation in a format that clearly demonstrates how the applicant calculated the average monthly payroll costs submitted. Examples of documentation that should accompany the application are as follows:

1. All applicants should provide copies of current business registration and a payroll summary file for the pay period which includes February 15, 2020.
2. Applicants that are using the average monthly payroll for 2019 should provide:
  - a. 2019 Form W-3 (Transmittal of Wage and Tax Statements)
  - b. 2019 Form W-2 for all employees
  - c. 2019 Form 940
  - d. For 2019, documentation of employee benefits including: costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit (only required for amounts not included in Box 1 on Form W-3)
  - e. For 2019, documentation of state and local taxes assessed on compensation
3. Applicants using the seasonal approach should provide:
  - a. 2019 Form W-3
  - b. 2019 Form W-2 for all employees
  - c. 2019 Form 940
  - d. 2019 Form 941s (Employer's Quarterly Federal Tax Return)
  - e. For 1/1/19-6/30/19, documentation of employee benefits including: costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit (only required for amounts not included in Box 2 on Form 941)
  - f. For 1/1/19-6/30/19, documentation of state and local taxes assessed on compensation
4. New businesses should provide:
  - a. Form 941 for 1/1/20-3/31/20
  - b. Payroll register for 1/1/20-2/29/20

- c. Documentation of employee benefits including: costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit.
- d. Documentation of state and local taxes assessed on compensation

***How can Univest help?***

Univest is an approved lender and will be **accepting applications for PPP loans from current Univest customers beginning on April 3, 2020 for small businesses and sole proprietorships and beginning on April 10, 2020 for independent contractors and self-employed individuals**. In order to apply for a PPP loan, current Univest customers should complete the Paycheck Protection Program loan application, which can be found online at <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>, and submit it to [PPP@univest.net](mailto:PPP@univest.net), together with all supporting documentation referenced above. Univest will begin to process applications from existing customers once all required documentation has been provided.