

COMING SOON

PAYCHECK PROTECTION PROGRAM LOANS

The SBA's Paycheck Protection Program was included in the CARES Act federal stimulus package. It is designed to keep employees on payroll and allow your business to pay essential expenses during the crisis.

On Tuesday, March 31, the SBA and Treasury Department released details on the Paycheck Protection Program and how it will work. Based on this information, Pinnacle is planning to begin taking and processing applications as soon as the SBA will allow.

Applications open Friday, April 3 for small businesses and sole proprietorships. Applications for independent contractors and self-employed individuals open Friday, April 10.

Your Pinnacle financial advisor is best equipped to help you see how this SBA program fits into your overall needs and help you apply. Below you will find all the information you need before you start that conversation.

Here's what you need to know.

- **Paycheck Protection Program loans are forgivable as long as you meet the conditions:**
 - Loan proceeds must be used to cover payroll costs including benefits, most mortgage interest, rent and utility costs over the eight-week period after the loan is made
 - Mortgage obligations, lease agreements and utility service must have been in place before February 15, 2020, in order to be eligible
 - Employee and compensation levels are maintained
- **Loan amounts will be:**
 - Up to two months of your average monthly payroll costs from the last year, plus 25% of that total
 - All loans capped at \$10 million
 - Payroll costs will be capped at \$100,000 annualized for each employee
 - Seasonable and new businesses will use different time periods for this calculation
- **All loan terms will be the same for everyone:**
 - 0.5% interest rate
 - 6 months of deferred payments, though interest will accrue over this period
 - 2 year maturity
 - No prepayment penalties or fees
 - No collateral required
 - No personal guarantee required
- **There is a funding cap.**
 - The program is authorized for \$349 billion nationwide. Though the application will be open until June 30, the money is unlikely to last until then.
 - Work with your Pinnacle financial advisor to submit your application soon after it opens on Friday, April 3, or April 10 for independent contractors and the self-employed.

If a Paycheck Protection Program loan is not the right fit for you or you need funds for broader purposes, take a look at the SBA's [Economic Injury Disaster Loan](#) or [call your Pinnacle financial advisor](#) to explore other options.

FULL DETAILS & FREQUENTLY ASKED QUESTIONS

Who can apply?

- 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. Visit [PNFP.com/SBAHelp](https://pnfp.com/SBAHelp) for those details.
- For this program, the SBA's affiliation standards are waived for small businesses:
 - In the hotel and food services industries
 - Check to see if your business qualifies by reviewing the appropriate section of the NAICS manual at [PNFP.com/NAICS](https://pnfp.com/NAICS).
 - That are franchises in the SBA's Franchise Directory
 - Check the SBA's Franchise Directory at [PNFP.com/SBAFranchise](https://pnfp.com/SBAFranchise).
 - That receive financial assistance from small business investment companies licensed by the SBA.
- Additional guidance may be released as appropriate.

Where can I apply?

Your Pinnacle financial advisor can help you apply. If you're not sure who to call, call the Pinnacle office nearest you. One of our experienced associates can help you. Visit [PNFP.com/Locations](https://pnfp.com/Locations) to find your nearest office or search for a financial advisor.

What do I need to apply?

The SBA has issued a sample Paycheck Protection Program application at [PNFP.com/SBASample](https://pnfp.com/SBASample). You don't need to fill it out yet. Instead, use it to gather all the information and documentation you need. You will also need documentation of your payroll expenses. Before Friday, we will give you more detail on how Pinnacle will take applications and exactly what documentation to include.

How quickly will it be funded?

The SBA is still determining the requirements for loan approval and funding. Once we know more, we will make sure you know, too.

What counts as "payroll costs"?

- Salary, wages, commissions, or tips (capped at \$100,000 annualized 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: wages, commissions, income or net earnings from self employment, capped at \$100,000 on an annualized basis for each employee

How much of the loan will be forgiven?

You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent and utilities payments over the eight weeks after getting the loan. Due to likely high subscription, payroll costs will likely need to account for at least 75% of the amount used.

You will also owe money if you do not maintain your staff and payroll. Here are those conditions:

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

How can I request loan forgiveness?

If you get the loan from Pinnacle, you will give that request to us. Otherwise you will request it from the lender that is servicing the loan. Your request will need to include documents that verify the number of full-time equivalent employees and pay rates, as well as records of the payments on eligible mortgage, lease and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent and utility payments. We will then have 60 days to review and determine eligibility.

What do I need to certify?

As part of your application, you need to certify in good faith that:

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease and utility payments.
- You have not and will not receive another loan under this program.
- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments and covered utilities for the eight weeks after getting this loan.
- 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, payroll costs will likely need to account for at least 75% of the amount used.
- All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.