

Client Guide to Small Business Administration Payroll Protection Program Loan Forgiveness

As a client of Community Bank & Trust, we value your relationship and stand ready to partner with you and your business during this unimaginable time. Your eligibility in the SBA Payroll Protection Program (PPP) is meant to help you retain and support your employees during the COVID-19 crisis. Thank you for working with CBT to secure this critical funding.



The purpose of this document is to provide general guidance based on the information currently available. **PPP Loans may be fully forgiven (principal and accrued interest) per the Interim Final Rule that was released April 2, 2020, if all applicable rules are followed.***

■ Loan Forgiveness Requirements

1. Loan proceeds must be used for eligible expenses over the eight-week period immediately following the disbursement of the loan. Forgiven amount will be equal to the amount actually incurred and paid for these expenses. Eligible expenses include:
 - a) Payroll costs, mortgage interest, rent and/or utilities. (For sole proprietors/independent contractors, it can be used for compensation replacement based on 2019 net profits.)
 - b) Mortgage interest, rent and utility payments must have been in service and in effect prior to 2/15/2020.
2. No more than 25% of the total loan amount may be used for non-payroll expenses.
3. Loan forgiveness will be reduced if the business has a reduction in employees or a 25% or more reduction in total salaries or wages. PLEASE NOTE: reductions in workforce, salaries or wages that occur from February 15, 2020, to April 26, 2020, will be disregarded as long as the reductions are eliminated by June 30, 2020.
4. Documentation will be required at the end of the eight-week period in order to process the loan forgiveness request. Your CBT Banker will work with you to collect information similar to what was submitted at the time of application (Form 941, State quarterly unemployment reporting forms, payroll processing records, canceled check for rent and/or utility payments and any other documentation as determined by the SBA).

(More on Reverse)

■ Loan Forgiveness Items to Consider

1. **Wages** – if a borrower reduces wages by more than 25% they would receive a dollar-for-dollar reduction in the loan forgiveness amount. For example: if the borrower paid salaries of \$100,000 during 2019, that becomes the benchmark for comparison. If salaries were \$70,000 on an annualized basis during the eight-week period after loan funding, the company would lose \$5,000 in eligible forgiveness. ($\$100,000 * 75\% = \$75,000$ less current salary cost of \$70,000). Employees earning more than \$100,000 are excluded from this calculation.
2. **Full Time Equivalent (FTE) Count** – By not re-establishing FTE count by June 30, 2020, the borrower will have a percentage reduction in the loan forgiveness. For example: If a borrower employed 100 FTEs during the average FTE period but employed only 90 during the eight-week period after loan funding and did not restore to the 100 FTEs by June 30, 2020, there would be a 10% loss in forgiveness. Please note: Average FTE period for the purposes of loan forgiveness can be either: January and February 2020, or February 15 – June 30, 2019.

■ Additional Items to Consider

1. Weekly cap for an employee included in the forgiveness bucket is \$1,923 ($\$100,000/52 \text{ weeks} = \$1,923$). Divide this by the eight-week period to equal \$1,923. While the company can spend more on those individuals' salaries, the company can't achieve forgiveness above this amount.
2. If the funds from a PPP loan are used for an unauthorized purpose, the SBA will direct the borrower to repay the amount.
3. If the borrower knowingly uses the funds for unauthorized purposes, they may be subject to additional liability.
4. The borrower must certify that the proceeds were used for eligible purposes at the time they apply with CBT for loan forgiveness.
5. Any amount that is not forgiven will be fully amortized over the remaining 18 months of the loan term at a rate of 1%.

Resources for Clients

To stay current on any changes to the SBA PPP Loan Forgiveness guidelines, we recommend borrowers visit the following websites for information:

- The COVID-19 resource page on Community Bank & Trust's website is updated as new information becomes available. The page can be found at communitybt.bank/coronavirus-preparation.
- To view [FAQs for borrowers and lenders](#) or for information on other programs available through the Small Business Administration, visit www.sba.gov.
- For the latest updates from the U.S. Department of Treasury, visit home.treasury.gov.

***This guide is provided for informational purposes only as of April 23, 2020. Final Loan Forgiveness rules and guidelines will be set forth by the SBA as part of the Payroll Protection Program Rules. Borrowers should consult with their attorney and/or accountant for advice related to their unique situation.**