

# Coronavirus Business Relief Programs

Paycheck Protection Program,  
Economic Injury Disaster Loan Program

This preliminary information is being provided as a resource for our clients. All information herein is based on our current understanding of the terms and conditions applicable to the Program as set out in the Congressional Act, and is subject to further interpretation and clarification as regulations and guidance are issued by various regulatory agencies, including the SBA. All statements herein are subject to and qualified by the detailed eligibility requirements and terms and conditions as contained in the CARES Act and any implementing regulations and guidance.

Info current as of March 30, 2020



# Paycheck Protection Program

Part of the CARES Act, the Paycheck Protection Program is an expansion of the SBA 7a program featuring increased dollar amount of loans guaranteed, increased guarantee percentage IP to 100%, and expanded eligible entities. Applicants must have been substantially affected by COVID-19. Many details of this program are yet to be finalized.

## **START PREPARING – Program will be open until 6/30/20 only.**

While specific application requirements have not been finalized for this program, based on the intent of the program, we recommend you begin collecting the following documentation to support your application:

<b>Loan Amount</b>	<ul style="list-style-type: none"><li>• Payroll reports for 2019 and 2020 year to date showing the following by employee and/or officers:<ul style="list-style-type: none"><li>• Gross wages</li><li>• Paid time off</li><li>• Paid vacation</li><li>• Pay for family medical leave</li><li>• State and local taxes (form 940, 941, or 944)</li><li>• 1099's for independent contractors (if applicable)</li></ul></li><li>• Completed 2019 tax return OR 2019 year-end Profit and Loss Report and Balance Sheet</li><li>• Documentation Showing:<ul style="list-style-type: none"><li>• Funds received in the form of an Economic Injury loan since 1/31/20.</li><li>• Payments for group health care benefits including premiums paid in 2019 to 2020 year to date.</li><li>• Payment of any retirement benefits paid in 2019 and 2020 year to date.</li></ul></li></ul>
<b>Forgiveness Documentation</b> (Loan forgiveness of all or a portion of any loan will be subject to determination at a later date based on submission of required information and certifications.)	<ul style="list-style-type: none"><li>• Quarterly IRS forms 940, 941, or 944 for the following dates:<ul style="list-style-type: none"><li>• 3/31/19 and 6/30/19</li><li>• 3/31/20 and 6/30/20</li></ul></li><li>• Documentation in the form of canceled checks, payment receipts, and bank statements showing payment of the following items from 2/15/20 to 6/30/20:<ul style="list-style-type: none"><li>• Mortgage Interest</li><li>• Rent payments</li><li>• Utilities</li></ul></li></ul>

Due to the limited amount of money and high demand, there is no guarantee that this money will be made available to all that apply. The amount that may be forgiven is limited and subject to certain requirements; make sure you follow the final guidance. Due to high demand, it is also important to make sure you provide all information necessary for a complete application.

Hancock Whitney Bank, Member FDIC, Equal Housing Lender.



# Paycheck Protection Program Summary

Amount	Temporarily raises the maximum loan amount from \$5 million to \$10 million during the "covered period," from 2/15/20 through 6/30/20. The initial loan amount will be calculated based on 2.5x average monthly payroll expense for 2019 with certain adjustments for seasonal employers and companies formed in 2019 or 2020 before 2/15/20. This includes wages for employees as well as expenses for paid sick leave, health care, and other benefits. Payroll costs are limited to \$100,000 per year, per employee.
Eligibility Requirements	<ul style="list-style-type: none"> <li>• Businesses that employ no more than 500 employees in operation before 2/15/20 and had employees whom were paid salaries and payroll taxes or paid independent contractors.</li> <li>• 501(c)3 non-profits that employ no more than 500 employees (excludes non-profits that receive Medicaid).</li> <li>• In certain industries where there are no more than 500 employees at a given physical location, (restaurants and hotels, for example).</li> <li>• Sole proprietor, independent contractor, and eligible self-employed individual (with necessary documentation)</li> </ul>
Eligible Usage	<ul style="list-style-type: none"> <li>• Payroll costs including salaries, paid sick leave, medical leave and employer paid medical insurance (Some exceptions apply; see next page)</li> <li>• Interest payments on any mortgage incurred prior to 2/15/20.</li> <li>• Payment of rent on any lease in force prior to 2/15/20.</li> <li>• Payment on any utility for which service began before 2/15/20.</li> </ul>
Loan Forgiveness	<p>The following are eligible for loan forgiveness:</p> <ul style="list-style-type: none"> <li>• Payroll costs (during the eight weeks following the loan origination date)</li> <li>• Mortgage interest (but only if the mortgage was in place before 2/15/20)</li> <li>• Rent (but only if the lease was in place before 2/15/20)</li> <li>• Utility payments (during the 8 weeks following the loan origination date)</li> <li>• The amount of forgiveness may also be subject to reduction if your workforce head count is less during the relevant period (2/15/20 –6/30/20) as opposed to the previous year.               <ul style="list-style-type: none"> <li>• If you have already laid off employees, you will not be penalized if you hire them back.</li> <li>• Similar reductions of the amount of loan forgiveness may also be triggered if you reduced your employees' compensation during the relevant period when compared to the same period last year. Again, if you have already laid off employees, you will not be penalized if you hire them back.</li> <li>• Employers will need to fill out paperwork to establish the amount of the loan forgiveness.</li> <li>• Any amounts remaining after forgiveness must be repaid no later than 10 years after being borrowed.</li> </ul> </li> </ul>

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# Paycheck Protection Program Summary (cont.)

Loan Forgiveness Covered Period	Eight-week period after the Paycheck Protection Program loan is in place for which eligible expenses (as discussed in the Loan Forgiveness section on page 3) can be submitted for loan forgiveness..
Interest Rate	Interest rates are capped at 4%, and repayment terms cannot exceed 10 years with a payment deferral between six and twelve months.
Maturity	Not to exceed 10 years from the date borrowers applies for loan forgiveness.
Documentation	<ul style="list-style-type: none"> <li>• Payroll tax filings reported to the Internal Revenue Service</li> <li>• State income, payroll, and unemployment insurance filings</li> <li>• Financial statements verifying payment on debt obligations incurred before the covered period; and</li> <li>• Other necessary documentation to be determined</li> </ul>
Collateral	Unlike traditional SBA Loans, no collateral is required to secure the loan and subject to clarification per pending SBA guidance, personal guarantees may not be required.
Compensation Limits	Compensation for an individual employee in excess of an annual salary of \$100,000 (as prorated for the covered period) is not eligible for loan forgiveness.
Other Details	Applicants cannot use funds from the Paycheck Protection Program to pay mandated sick leave under the Families First Coronavirus Response Act (FFCRA); rather, the tax credits under the new paid sick leave laws are your sole source of reimbursement for those expenses.
How to Apply	<b>Hancock Whitney clients should contact their banker or make an appointment at their most convenient financial center.</b>

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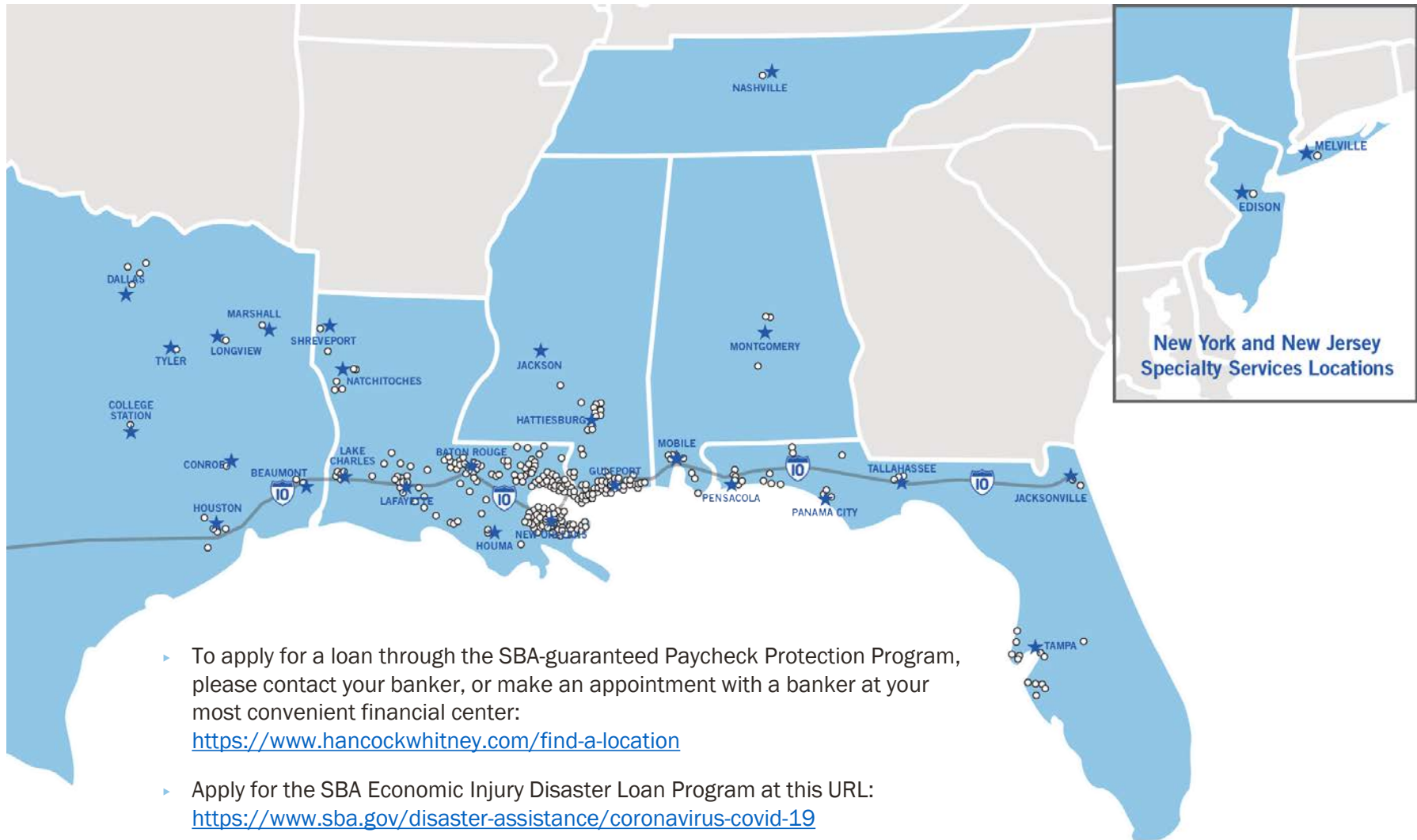
# SBA Economic Injury Disaster Loan Program

If your business is not a heavy user of payroll, the SBA Economic Injury Disaster Loan Program may be a better fit.

The SBA Economic Injury Disaster Loan Program incorporates a traditional U.S. Small Business Administration loan with increased eligibility for businesses and nonprofits no more than 500 employees, as long as the nonprofit is not receiving Medicaid funds.

Loan Size	<ul style="list-style-type: none"><li>• Up to \$2,000,000</li><li>• Small businesses have the opportunity for an immediate advance of \$10,000, which according to the SBA, will be made available within three days of applying for the loan.</li></ul>
Eligibility	Small businesses and non-profits affected by the coronavirus in presidential and SBA-declared disaster areas ( <i>list is updated regularly</i> ).
Interest Rate	<ul style="list-style-type: none"><li>• 2.75% for nonprofits</li><li>• 3.75% for small businesses</li></ul>
Term Length	Up to 30 years.
Usage	Accounts payable, fixed debts, payroll, and other bills.
Documentation	Most recent tax returns, a personal financial statement and a schedule of liabilities that lists all current debts. Traditionally EIDL loans would require a personal lien such as on a home. In this case, personal guarantees have been modified and sometimes eliminated.
How to Apply	<ul style="list-style-type: none"><li>• Apply directly through the SBA online at <a href="https://www.sba.gov/disaster-assistance/coronavirus-covid-19">https://www.sba.gov/disaster-assistance/coronavirus-covid-19</a></li><li>• Alternatively, call SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or email <a href="mailto:disastercustomerservice@sba.gov">disastercustomerservice@sba.gov</a>.</li></ul>
More information	<a href="https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources">https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources</a>
Note	<ul style="list-style-type: none"><li>• These loans are issued by the SBA and <i>not</i> Hancock Whitney.</li><li>• Borrowers who receive an Economic Injury Disaster Loan for COVID-19 after 3/31/20 are not eligible to apply for a loan under the Paycheck Protection Program</li></ul>

# Hancock Whitney Locations



- ▶ To apply for a loan through the SBA-guaranteed Paycheck Protection Program, please contact your banker, or make an appointment with a banker at your most convenient financial center:  
<https://www.hancockwhitney.com/find-a-location>
- ▶ Apply for the SBA Economic Injury Disaster Loan Program at this URL:  
<https://www.sba.gov/disaster-assistance/coronavirus-covid-19>
- ▶ Borrowers who receive an Economic Injury Disaster Loan for COVID-19 after 3/31/20 are not eligible for the Paycheck Protection Program.



Your Dream. Our Mission.

Prepared by the **U.S. CHAMBER OF COMMERCE**

# CORONAVIRUS EMERGENCY ANS Small Business Guide and Checklist



The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program, the initiative provides 100% federally guaranteed loans to small businesses.

Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

The administration soon will release more details including the list of lenders offering loans under the program. In the meantime, the U.S. Chamber of Commerce has issued this guide to help small businesses and self-employed individuals prepare to file for a loan.

Here are the questions you may be asking—and what you need to know.



## 1

# Am I ELIGIBLE?

You are eligible if you are:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

**REMEMBER:** The 500-employee threshold includes all employees: full-time, part-time, and any other status.



## 2

# What will lenders be LOOKING FOR?

In evaluating eligibility, lenders are directed to consider whether the borrower was in operation before February 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors.

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

## What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

3

# How much can I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed **\$10 million**.

## How do I calculate my average monthly PAYROLL COSTS?



sum of  
**INCLUDED**  
payroll costs

—

sum of  
**EXCLUDED**  
payroll costs

=

**PAYROLL  
COSTS**

### **INCLUDED** Payroll Cost:

- 1. For Employers:** The sum of payments of any compensation with respect to employees that is a:
  - salary, wage, commission, or similar compensation;
  - payment of cash tip or equivalent;
  - payment for vacation, parental, family, medical, or sick leave
  - allowance for dismissal or separation
  - payment required for the provisions of group health care benefits, including insurance premiums
  - payment of any retirement benefit
  - payment of state or local tax assessed on the compensation of the employee
- 2. For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

### **EXCLUDED** Payroll Cost:

1. Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116–5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act



#### NON SEASONAL EMPLOYERS:

**Maximum loan =**

2.5 X Average total monthly payroll costs incurred during the year prior to the loan date

***For businesses not operational in 2019:***

2.5 X Average total monthly payroll costs incurred for January and February 2020

#### SEASONAL EMPLOYERS:

**Maximum loan =**

2.5 X Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019

## 4

# Will this loan be FORGIVEN?

Borrowers are eligible to have their loans forgiven.

## How Much?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees

The loan forgiveness cannot exceed the principal.

## How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:

### Reduction based on reduction of number of employees



**PAYROLL  
COST**  
Calculated  
on page 2

**X**

Average Number of  
Full-Time Equivalent  
Employees (FTEs)  
Per Month for the  
8-Weeks Beginning  
on Loan Origination

**÷**

#### Option 1:

Average number of FTEs per month from  
February 15, 2019 to June 30, 2019

#### Option 2:

Average number of FTEs per month from  
January 1, 2020 to February 29, 2020

#### For Seasonal Employers:

Average number of FTEs per month from  
February 15, 2019 to June 30, 2019

### Reduction based on reduction in salaries



**PAYROLL  
COST**  
Calculated  
on page 2

**—**

For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

## What if I bring back employees or restore wages?

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

# WHAT'S NEXT?

Look out for more information about eligible lenders and additional guidance from the SBA soon.

For more guidance and resources for small businesses, visit [uschamber.com/co](https://uschamber.com/co)