The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated $349 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program (PPP), the initiative provides 100% federally guaranteed loans to small businesses.

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

The Department of Treasury released new guidance on April 2, 2020 that is reflected in this document, including final guidance on the program.

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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

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.

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)

Other Terms and Benefits:
• Interest rate of 1.00% fixed
• Two year term and amortization
• No payment penalty
• All payments are deferred for 6 months; however, interest will continue to accrue over this period.

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.
• There are no fees for this loan.

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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?

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 benefit, 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

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

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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. Additionally not more than 25% of the forgiven amount may be for non-payroll cost.

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

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

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?
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.

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