

CARES Act & PPP Information

3.30.2020



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This past week, the Senate and House passed the CARES Act, and Friday afternoon, the legislation was signed into law by the President. You can download the final legislation [here >](#).

The purpose of this letter is to update and inform you as to where the new law stands, how this impacts existing SBA borrowers, and provide the most current information for companies looking to obtain funds from the new SBA program.

If you currently have a SBA 7(a) or 504 Loan

The CARES Act requires the Administration to pay for six months of payments of principal, interest, and any associated fees for all existing 7(a) borrowers (this also applies to all 504 and microloan borrowers, as well).

New SBA Paycheck Protection Program (PPP)

The Senate Small Business Task Force **created a new loan program called the Paycheck Protection Program (PPP), which would be co-managed by SBA and the Treasury.** This loan is intended to provide capital to small businesses to help them meet their ongoing expenses including payroll costs and other costs as specified in the statute. The borrower will not be required to repay the portion of the loan that is used for the purposes specifically allowed by the statute. That concept is referred to in the statute as loan forgiveness. Funds used for purposes not included in the statute must be repaid.

When can you apply for PPP?

Banks must await guidance from SBA and the Treasury on how to implement PPP loans, and unfortunately, no one has a definitive idea of when that guidance will be issued. Until this guidance has been issued, bank lenders cannot make a PPP loan and there are still significant question marks in all aspects of the program – from origination requirements to applicable eligibility to the process for the request for loan forgiveness, to name a few.

What can you do now?

If a small business is interested in a **Paycheck Protection Program (PPP)** loan, please collect and hold onto the payroll information as described below:

▶ *Maximum Loan Amount:*

Loans are available for the lesser of the average monthly payroll costs times 2 1/2 plus any SBA Economic Injury Disaster Loan (EIDL) received after January 31, 2020 that are refinanced under subsection 36 or \$10 million. Average monthly payroll costs are calculated based on the one-year period prior to the loan disbursement date except for seasonal employers and employers not in business between February 15, 2019 and July 30, 2019.

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Maximum Loan Amount Continued:

- ▶ In the case of seasonal employers, the employer may choose to calculate the average monthly payroll costs based on the 12-week period starting February 15, 2019 or the period starting March 1, 2019 through June 30, 2019.
- ▶ In the case of new employers not in business between February 15, 2019 and July 30, 2019, the average monthly payroll costs is calculated based on the period beginning January 1, 2020 through February 29, 2020.

▶ Payroll Costs Include:

- ▶ employee salary, wages and commissions;
- ▶ payment of cash tips;
- ▶ payment of vacation;
- ▶ parental, family, medical or sick-leave;
- ▶ allowance for dismissal or separation;
- ▶ payment required for group health benefits (including insurance premiums);
- ▶ payment of retirement benefits;
- ▶ or payment of state or local tax assessed on employee compensation;
- ▶ and sole proprietor income or independent contractor compensation not in excess of \$100,000.

▶ Payroll Costs Exclude:

- ▶ compensation of an individual person in excess of \$100,000 (as prorated for the period);
- ▶ federal employment taxes imposed or withheld taxes;
- ▶ compensation to an employee whose principal residence is outside of the U.S.;
- ▶ qualified sick leave for which a credit is allowed under Section 7001 of the Families First Coronavirus Response Act;
- ▶ and qualified family leave wages for which a credit is allowed under Section 7001 of the Families First Coronavirus Response Act.

Atlantic Capital Bank stands ready to help you fuel and maintain the prosperity of your business. We are actively working with the governing bodies that are shaping the new loan program and are poised and ready to send out, process and fund new PPP Loan Applications for companies. The moment the SBA has provided guidance to Atlantic Capital Bank, we will notify you on how to submit the required document and application and be ready to process your request.

If you plan to apply for one of these loans, please contact your Atlantic Capital Banker.