



Paycheck Protection Program

What You Need to Know to Secure Funding for
Your Business From This SBA Program

DyKEMA

 Detroit **Regional** Chamber

 **tcf** bank

 **Consumers Energy**
Count on Us®

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The premier source for the latest news, updates, and resources.

[Detroitchamber.com/covid19](https://detroitchamber.com/covid19)

The screenshot shows the Detroit Regional Chamber's COVID-19 Business Resource Center website. The header features the Detroit Regional Chamber logo and the title "COVID-19 BUSINESS RESOURCE CENTER". A navigation menu includes "Resources For", "Latest News", "Stay Healthy", "Tele-Town Halls", "How to Help", "Stay Informed", and "Articles".

The main content area is divided into several sections:

- Webinar: Paycheck Protection Program, April 6**: A section with a laptop image and text: "Join the Chamber's Sandy K. Baruah and leaders from Dykema and TCF National Bank to learn the ins and outs of the U.S. SBA Paycheck Protection Program and resources available to small businesses." Below this is a "COVID-19" badge.
- Keeping You in the Know**: A large blue banner with an orange box stating "US SBA PAYCHECK PROTECTION PROGRAM LAUNCHED APRIL 3".
- HAVE YOU STARTED AN APPLICATION? Share Your Experience**: A blue box with a person icon at a computer.
- INTERESTED IN APPLYING? Four Tips for**: A blue box with a person icon and a checklist.
- Latest COVID-19 News**: A white box with a "LATEST NEWS" badge.
- Strengthening Company Culture Through Uncertain Times**: A white box with an "HR" badge and a hand icon.
- Working From Home: Dos And Don'ts**: A white box with a photo of a person working from home.

COVID-19

TELE-TOWN HALL SERIES



April 6 | 1 p.m.

Speaker Lee Chatfield

Michigan Speaker of the House



April 8 | 1 p.m.

U.S. Rep. Fred Upton

April 7 | 11 a.m.



Robert Gordon

Director, Department of Health
and Human Services,
State of Michigan



Bob Riney

President, Healthcare Operations
and Chief Operating Officer,
Henry Ford Health System



April 9 | 1 p.m.

Patti Poppe

President and CEO, Consumers Energy



April 10 | 11 a.m.

U.S. Rep. Paul Mitchell

Paycheck Protection Program (“PPP”)



What is it?

\$349 billion program administered by the SBA to provide financial assistance to entities with fewer than 500 U.S. employees or who are SBA small business concerns, which could include businesses with more than 500 employees. (<https://www.sba.gov/federal-contracting/contracting-guide/size-standards#section-header-0>)

What types of businesses are eligible?

- For-profit businesses
- 501(c)(3) Non-profit organizations
- Sole proprietors
- Independent contractors
- Self-employed individuals
- Veterans organizations
- Tribal business concerns

What are the eligibility requirements?

- Employees at February 15, 2020
- Business operations at February 15, 2020
- Represent to SBA that the company was impacted by Covid-19

What Can PPP loans be used for?



Payroll and certain operating expenses:

- Payroll costs;
- Payments of interest (but not principal or prepayments) on mortgage obligations in effect before February 15, 2020;
- Rent under a lease agreement entered into before February 15, 2020; and
- Utilities for which service began before February 15, 2020
- Interest on any other debt obligations incurred before February 15, 2020

SBA guidance indicates no more than 25% should be spent for non-payroll costs

EIDL Loans used for payroll costs must be refinanced into a PPP, but the PPP is subject to the \$10 million cap

Payroll Costs



Sum of payments to any employee that is:

- 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; or
- payment of State or local tax assessed on the compensation of employees;

Payroll costs do not include payments in excess of an annual salary of \$100,000 for each employee, prorated for the covered period

Unless the applicant is the independent contractor, payroll costs do not include amounts paid to independent contractors

Terms of Loans

Maximum loan amount is the lesser of:

- \$10 Million; or
- The sum of
 - (a) the average total monthly payroll costs for the past year** x 2.5, and
 - (b) the outstanding amount of any SBA 7(a) EIDL loan made between January 31, 2020 and April 3, 2020 (less the amount of the \$10,000 “advance” under a SBA 7(a) EIDL loan)

Other Terms

Interest rate: 1.00%

Repayment terms: 2 years

No payment due for 6 months
(interest still accrues)

No collateral

No personal guarantees

Prepayment permitted without any fee

**For non-seasonal businesses in existence during the period of February 15, 2019 through June 30, 2019

Loan Forgiveness



Amounts paid under the loan during the first eight weeks after loan closing will be eligible for forgiveness if used for:

- Payroll costs (as defined earlier)
- Interest on any covered mortgage obligation incurred before February 15, 2020;
- Rent obligations on lease agreements in force before February 15, 2020; or
- Utility payments for which service began before February 15, 2020.

Loan Forgiveness



Limitations:

- Amount forgiven may not exceed the principal amount of the loan
- Only up to 25% of forgiven amount may be for non-payroll costs
- Amount forgiven will be reduced by any decreases in full-time equivalent employee headcount calculated by dividing (i) the average monthly full-time equivalent employees of the company between February 15, 2020 through June 30, 2020 by (ii) for non-seasonal employers, at the company's election, the average monthly full-time equivalent employees between February 15, 2019 through June 30, 2019 or between January 1, 2020 through February 29, 2020
- Amount forgiven will be reduced if between February 15, 2020 and June 30, 2020 there is more than 25% reduction of salary or wages of employees paid less than \$100,000 as compared to their compensation during the last quarter they were paid
- Reductions eliminated if rehire employees/restore salary by June 30, 2020
- Reduced by \$10,000 EIDL Grant

Application Process



- Applications should be made directly to SBA-approved lenders, not the SBA.
<https://www.sba.gov/article/2020/mar/02/100-most-active-sba-7a-lenders>
- **Timing considerations:**
 - Small Businesses and Sole Proprietorships: apply beginning April 3, 2020
 - Independent contractors and self-employed individuals: apply beginning April 10, 2020
 - Deadline: June 30, 2020
 - Early application is encouraged
- Contact your banker today to understand their process for handling Applications



Paycheck Protection Program (PPP)

April, 2020

The Paycheck Protection Program provides up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis



Loan Terms

- Maximum loan amount of 2.5x monthly payroll costs up to \$10 million cap
- 2-year loan term @ 1% fixed interest rate
- Payments deferred for 6 months, interest accrues from date of origination

Borrower Eligibility

- Businesses with <500 employees per location
- Self-employed and Independent contractors
- Self-certification of adverse COVID-19 business impacts

Eligible Loan Usage

- Two months payroll costs including salaries, wages, and benefits, capped at \$100k/employee
- Interest on mortgage obligations
- Rent/Utilities
- Eligible interest on prior debt

Loan Forgiveness

- Documented spending on eligible costs for 8 weeks after loan origination

Forgiveness reductions for:

- Headcount reductions
- Wage decreases > 25%
- Improper usage of funds

Eligibility

- Businesses who were operating as of February 15, 2020
- A business with 500 or fewer employees
- A business that otherwise meets the SBA's size standard
- A 501(c)(3) with 500 or fewer employees; religious organizations are included
- 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
- For business whose NAICS code begins with 72 (primarily food service and hospitality businesses), franchises registered with the SBA, and businesses who receive financial assistance from a SBA-licensed SBIC, the size standard is expanded to ≤ 500 employees per physical location.



Application Process



Can be submitted between April 6 and June 30

Contact Your Bank

On ways to apply (most will have an online application)



Get Your Application Ready

Gather documentation needed to complete application

Wait for the Disbursement



A bank can approve and fund the loan quickly. Times may vary by institution



Complete the Application

Generally it should take 20 minutes to complete the application and upload documentation

Application Documents



- ✓ • **2019 tax documentation** to support payroll numbers (IRS 940, 941, or 944 should be acceptable documentation)
- ✓ • **Payroll registers** that will detail gross wages for each employee (including W2 wages, paid time off, vacation pay, family medical leave pay, state & local taxes assessed on compensation)
- ✓ • **1099's** for independent contractors for 2019 if applicable
- ✓ • Documentation showing **total group health insurance premiums** paid by company for benefit of employees or company owners
- ✓ • Documentation showing **the sum of all retirement plan** (401k, Simple IRA, SEP IRAs, etc.) funding paid by the company (not including contributions paid by employees or owners)
- ✓ • The **names, titles, ownership percentages, social security numbers, and addresses** for all $\geq 20\%$ owners
- ✓ • Copy of **driver's license** for all $\geq 20\%$ owners.
- ✓ • **Total number of both part-time and full-time employees** as of 2/15/20 for both applicant entity as well as affiliate entities (broken out by entity)
- ✓ • **Bank deposit account numbers** for eventual deposit of loan proceeds

Advice for Borrowers



**Work directly
with your
primary bank
(where operating
accounts reside)**



**Begin gathering
needed
documentation**



**Move with
urgency**



**Additional
Resources:
[tcfbank.com/businessrelief](https://www.tcfbank.com/businessrelief)**

Non-profit Organizations

- Nonprofit organizations that are described in IRC § 501(c)(3) and exempt from taxation under § 501(a) are eligible.
 - Includes churches that meet the qualifications of Section 501(c)(3), even if they do not have a determination letter.
- Religious Exemption for Affiliation Rules:
 - The relationship of a faith-based organization to another organization is not considered an affiliation with the other organization if the relationship is based on a religious teaching or belief or otherwise constitutes a part of the exercise of religion.
- Directorship non-profit corporations should ensure they have the necessary board approvals to apply for a loan.

Affiliation Rules



What is affiliation?

Affiliation with another business concern arises when:

- One entity controls or has the power to control the other
- Third party controls or has the power to control multiple business concerns

What is the effect of being affiliated?

The U.S. employees of all of an applicant's affiliates will be counted in calculating the number of U.S. employees of an applicant in determining eligibility for PPP loans

How is affiliation established?

Affiliation is established through ownership, management control, or identity of interest as provided in 13 CFR 121.103 and 13 CFR 121.301

Affiliation Rule Exceptions



What are the exceptions to the affiliation rules?

General Exceptions:

- Businesses are not affiliated with their SBIC owners
- Businesses are not affiliated with their Employee Leasing Company (PEO)

CARES Act Exceptions:

- Hotel and food services businesses
- Franchises in the SBA's Franchise Directory
- Businesses that receive financial assistance from licensed SBIC's

Dykema COVID-19 Legal Resource Center

- Up to date information available by:
 - Topic
 - Industry
 - Date
- Legal Insights from Attorneys and Policy Advisers
- Updated very frequently



Resources

[Dykema COVID-19 Legal Resource Center at Dykema.com](#)

[Detroitchamber.com/covid19](#)

[TCFbank.com/about-tcf/businessrelief](#)

[Consumersenergy.com](#)

