



April 9, 2020

To: Bradford White Contractors  
From: Ryan Kiscaden, Senior Strategic Marketing Manager  
Subject: (COVID- 19 Update) CARES Act Summary - Paycheck Protection Program (PPP) and expanded Economic Injury Disaster Loans (EIDL)

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed on Friday March 27<sup>th</sup>, 2020. The bill was intended to address the economic fallout of the 2020 coronavirus pandemic. The \$2 trillion-dollar bill includes a new program for small businesses called the Paycheck Protection Program (PPP) and expanded the existing Economic Injury Disaster Loans (EIDL) program.

The PPP was designed to keep employees paid and businesses operating. The loan covers 8 weeks of payroll, mortgage/rent, and utility costs between February 15, 2020 and June 30, 2020. These costs will be fully forgiven if businesses retain full employment, maintain wages at near normal levels, or re-hire employees laid off after February 15, 2020. Eligible small businesses (less than 500 employees) can apply beginning April 3 through local lenders.

The EIDL is a long-standing program created to assist businesses, renters, and homeowners located in regions affected by declared disasters. Its function is to provide emergency assistance to small businesses that are facing an economic hardship. The program operates like a traditional business loan. Because the PPP is also available, the CARES act prohibits borrowers from taking out two loans for the same purpose.

Information from the U.S. Chamber of Commerce, on both the PPP and EIDL, are attached to this memo. An explanation of the differences in programs is attached.

Thank you for being a valued customer. The work you do to provide our nation with access to clean water and sanitization services has never been more important.

**SOURCES USED:** U.S. Chamber of Commerce and NFIB – National Federation of Independent Business

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# CORONAVIRUS EMERGENCY LOANS

## Small Business Guide and Checklist

Updated: April 1, 2020



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 (PPP), 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 has released initial guidelines; they are available at [www.treasury.gov](http://www.treasury.gov). The U.S. Chamber of Commerce has issued this guide to help small businesses and self-employed individuals check eligibility and prepare to file for a loan.

Small businesses and sole proprietors can begin applying on April 3. Independent contractors and self-employed individuals can apply beginning on April 10.

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

You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating.

While the program is open until June 30, 2020, the government is advising borrowers to **apply as soon as possible** given the loan cap on the program.

# 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?

Borrowers will need to complete the Paycheck Protection Loan Application (which is available [HERE](#)) and payroll documentation

## 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

- **Payments deferred for six months**
- **0.50% fixed interest rate**
- **Loan is due in two years**

# 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:

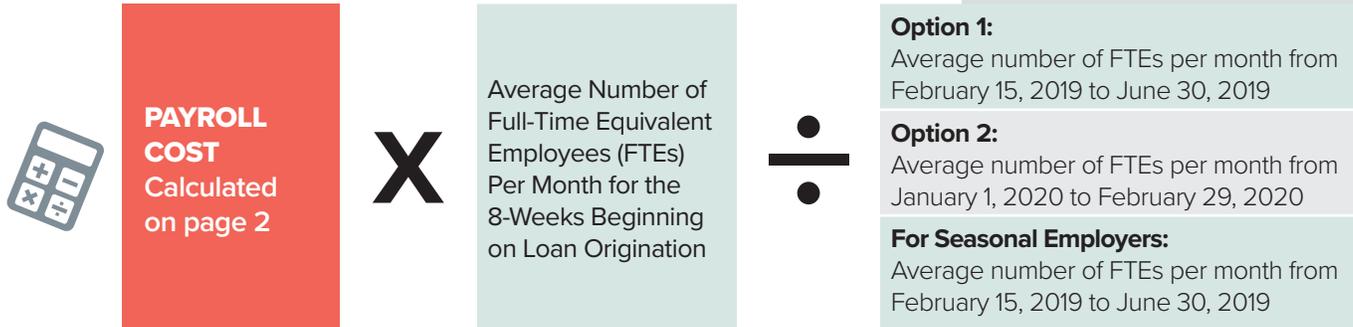
- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For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

**NOTE:** The government is now advising that because of high participation, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. The loan forgiveness cannot exceed the principal.

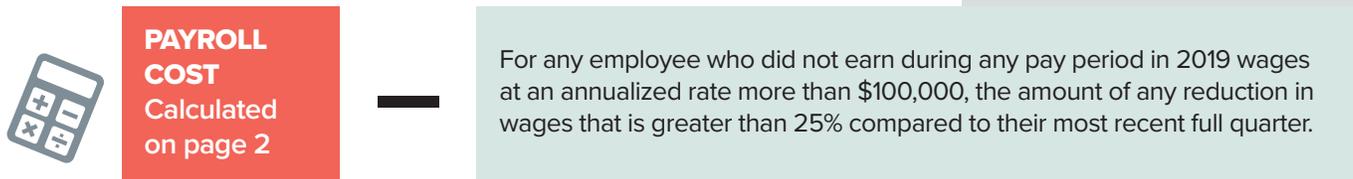
### How could the forgiveness be reduced?

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



#### Reduction based on reduction in salaries



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

Reductions in employment or wages that occur between February 15, 2020 and April 26, 2020 (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)

*Private lenders will ultimately issue PPP loans based on guidance from the SBA and Treasury Department. More information, including from lenders, should be available once the guidance is issued.*

# GUIDE TO SBA'S ECONOMIC INJURY DISASTER LOANS

The Coronavirus Aid, Relief, and Economic Security (CARES) Act expands the Small Business Administration's long-standing Economic Injury Disaster Loan Program (EIDL). The EIDL program was created to assist businesses, renters, and homeowners located in regions affected by declared disasters.

## Who is **ELIGIBLE**?

In general, all of the following entities that have suffered substantial economic injury caused by a disaster provided they were in existence on January 31, 2020:

- Businesses with fewer than 500 employees
- Cooperatives, ESOPs, and tribal small businesses with fewer than 500 employees
- Sole proprietors
- Independent contractors
- Most private nonprofits

## What are the **LOAN PARAMETERS**?

- The maximum EIDL is a \$2 million working capital loan at a rate of 3.75% for businesses and 2.75% for non-profits with up to a 30-year term
- Payments on Coronavirus EIDL loans are deferred for one year
- Up to \$200,000 can be approved without a personal guarantee
- Approval can be based on a credit score and no first-year tax returns are required
- Borrowers do not have to prove they could not get credit elsewhere

- No collateral is required for loans of \$25,000 or less. For loans of more than \$25,000, general security interest in business assets will be used for collateral instead of real estate
- The borrowers must allow the SBA to review its tax records

## How can I access an **EMERGENCY \$10,000 GRANT**?

- Eligible applicants for an EIDL can receive a \$10,000 emergency grant within three days of application (through Dec. 31)
- There is no obligation to repay the grant. To receive the \$10,000 emergency grant, it is not necessary to have an approved EIDL loan. However, if you are able to secure a PPP loan, the \$10,000 grant will be subtracted from the forgiveness amount

**NOTE:** The Paycheck Protection Program (PPP) created by the CARES Act prohibits borrowers from taking out two loans for the same purpose. For more information on PPP loans, visit [uschamber.com/sbloans](https://uschamber.com/sbloans)

## How do I **APPLY**?

Apply online at **[SBA.gov/disaster](https://SBA.gov/disaster)**



<b>Loan Program</b>	<b>Economic Injury Disaster Loan (EIDL)</b>	<b>Paycheck Protection Program Loan (PPPL)</b>
<b>Lender</b>	Small Business Administration (SBA)	Financial institutions (commercial banks, credit unions, and other approved lenders)
<b>Program Period</b>	through December 31, 2020	through June 30, 2020 (Covers 8-weeks of eligible expenses after loan origination.)
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Have 500 or fewer employees,</li> <li>• Are a sole proprietor, independent contractor, or self-employed individual.</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• Been in business since January 31, 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• Have 500 or fewer employees,</li> <li>• Are a sole proprietor, independent contractor, or self-employed individual,</li> <li>• A small business that meets the SBA small business industry-specific standards,</li> <li>• Operate an accommodation or food service business (NAICS Code 72) with 500 or fewer employees per location,</li> <li>• A business assigned a franchise operator code by SBA,</li> <li>• A business that receives assistance under the Small Business Investment Act.</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• Been in business since February 15, 2020 and paid taxes on your employees or independent contractors.</li> </ul>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>• The maximum loan size is \$2 million.</li> <li>• Applicants who apply for this loan may request an advance Emergency EIDL grant of up to \$10,000 from the SBA.</li> </ul>	<ul style="list-style-type: none"> <li>• 2.5x the average monthly “payroll” costs, measured over the 12 months preceding the loan origination date. Seasonal business may use the period February 15, 2019 – June 30, 2019 or March 1, 2019 – June 30, 2019 to calculate the average payroll.</li> <li>• The maximum loan size is \$10 million.</li> <li>• “Payroll” includes: <ul style="list-style-type: none"> <li>○ Salaries, commissions, tips,</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>○ Employee benefits (including health insurance premiums and retirement benefits),</li> <li>○ State and local taxes,</li> <li>○ Compensation to sole proprietors or independent contractors.</li> </ul> <ul style="list-style-type: none"> <li>● “Payroll” excludes: <ul style="list-style-type: none"> <li>○ Annual salary in excess of \$100,000,</li> <li>○ Foreign employees,</li> <li>○ FICA and income tax withholdings.</li> </ul> </li> </ul>
<b>Eligible Expenses</b>	<ul style="list-style-type: none"> <li>● Payroll costs, including benefits,</li> <li>● Fixed debts (mortgage, rent, lease),</li> <li>● Accounts payable,</li> <li>● Other bills.</li> </ul>	<ul style="list-style-type: none"> <li>● Payroll costs, including benefits,</li> <li>● Interest on mortgage obligations, incurred before February 15, 2020,</li> <li>● Rent, under lease agreements in force before February 15, 2020 and</li> <li>● Utilities, for which service began before February 15, 2020.</li> </ul>
<b>Term Duration</b>	Up to 30 years	Up to 2 years
<b>Interest Rate</b>	3.75% for businesses, 2.75% for nonprofits	1% for all borrowers
<b>Forgiveness</b>	<p>No loan forgiveness</p> <p>Emergency EIDL grant of up to \$10,000 is forgiven. Grant must be used for the following expenses:</p> <ul style="list-style-type: none"> <li>○ Providing paid sick leave to employees unable to work due to the direct effect of the COVID-19,</li> <li>○ Maintaining payroll to retain employees during business disruptions or substantial slowdowns,</li> <li>○ Meeting increased costs to obtain materials unavailable from the applicant’s original source due to interrupted supply chains,</li> <li>○ Making rent or mortgage payments,</li> </ul>	<p>Eligible expenses (below) within an 8-week period from date of loan origination:</p> <ul style="list-style-type: none"> <li>● Payroll costs (including everything listed above),</li> <li>● Payments on mortgage interest,</li> <li>● Rent,</li> <li>● Utilities.</li> </ul> <p>***Your loan forgiveness will be reduced if you decrease the number of your full-time and/or decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.</p> <p>Re-Hiring: 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.***</p>

	<ul style="list-style-type: none"> <li>○ Repaying obligations that cannot be met due to revenue losses.</li> </ul>	
<b>Repayment</b>	Unclear about deferred	Payments (and interest) are deferred for 6 months
<b>Collateral Requirement</b>	No	No
<b>Personal Guarantee</b>	Not for loan less than \$200,000	No
<b>Prepayment Penalties</b>	No	No
<b>Required Documents</b>	<ul style="list-style-type: none"> <li>• <b>SBA Form 5 (Application),</b></li> <li>• <b>Credit score,</b></li> <li>• IRS Form 4506T,</li> <li>• Most recent federal income tax returns for the business,</li> <li>• SBA Form 1143 (Personal Financial Statement),</li> <li>• SBA Form 2202 or a similar schedule of liabilities listing all fixed debts.</li> </ul>	<ul style="list-style-type: none"> <li>• Two page application <a href="#">HERE</a></li> <li>• Payroll expenses</li> </ul>
<b>Availability</b>	Loans available now	(Will vary by participating banks) <b>April 3, 2020</b> , small businesses and sole proprietorships, <b>April 10, 2020</b> , independent contractors and self-employed individuals

Notes: NFIB COVID-19 Small Business Resources [HERE](#)

Economic Injury Disaster Loan (and EIDL grant) application [HERE](#)

Paycheck Protection Program Loan (PPPL) Borrower information [HERE](#)

Paycheck Protection Program Loan (PPPL) Application [HERE](#)