

## 2020

On March 27, 2020, the CARES Act was signed into law, aimed at providing relief for individuals and businesses that had been negatively impacted by the coronavirus outbreak.

\$350 billion was dedicated for small businesses with 500 or fewer employees to prevent layoffs and business closures through the Payroll Protection Program that was administered by the Federal Small Business Administration.

During April and May, Stock Yards Bank processed more than 3,000 PPP applications for customers and non-customers alike.

In September, the process for forgiving the loans was provided to banks by the SBA and applications for forgiveness have been ongoing.

## 2021

New legislation, signed into law on December 27, 2020, authorizes the Small Business Administration (SBA) to approve Paycheck Protection Program (PPP) loans up to the \$284.5 billion in allocated PPP funding.

- According to the legislation, PPP loans will be available to businesses with 500 or fewer employees that have not previously received a PPP loan to help with payroll, rent, utilities, healthcare costs and more
- In addition to providing for new PPP loans for first-time borrowers, the legislation also allows certain existing PPP borrowers to receive a “second draw” PPP loan if they have used all of their first loan (or will have by the time of disbursement of the second loan), have no more than 300 employees and can demonstrate a year-over-year quarterly revenue reduction of at least 25%
- The legislation also expands the list of allowable and forgivable expenses, which apply to existing PPP loans for which a borrower has not yet received forgiveness. Additionally, the legislation provides for a more flexible covered period. For details on eligibility and requirements, please visit the [SBA website](#).

We are awaiting guidance from the SBA on this round of PPP lending and plan to begin accepting new PPP loan applications in the coming weeks. Please check back for updates.

## Frequently Asked Questions:

### **When can I apply for a new PPP loan?**

New legislation, signed into law on December 27, 2020, authorizes the SBA to approve PPP loans up to the \$284.5 billion in allocated PPP funding. We are continuing to receive guidance from the SBA on this new round of PPP lending and plan to reopen our application, for both new and “second draw” PPP loans, in the coming weeks.

### **I have already received a PPP loan – am I eligible for another loan?**

In addition to providing for new PPP loans for first-time borrowers, the legislation also allows certain existing PPP borrowers to receive a “second draw” PPP loan if they have used all of their first loan (or will have by the time of disbursement of the second loan), have no more than 300 employees and can demonstrate a year-over-year quarterly revenue reduction of at least 25%.

### **What are the eligibility requirements?**

You may be eligible to apply for a second PPP loan if you:

- are a business, certain type of non-profit organization, housing cooperative, veterans’ organization, tribal business, self-employed individual, sole proprietor, independent contractor, or small agricultural co-operatives;
- employ not more than 300 employees;
- have used or will use the full amount of your first PPP loan (if your business received one); and
- demonstrate at least a 25 percent reduction in gross receipts in the first, second, third or fourth quarter of 2020 relative to the same 2019 quarter (or under the applicable timelines for businesses that were not in operation in Q1, Q2, and Q3, and Q4 of 2019).

Businesses that are not eligible to apply include:

- entities listed in [13 CFR 120.110](#) (note that non-profits and religious organizations are eligible);
- entities involved in political and lobbying activities, as well as think tank entities, public policy or political strategy advocacy businesses;
- entities affiliated with people or entities in the People’s Republic of China;
- registrants under the Foreign Agents Registration Act;
- entities that receive a grant under the Shuttered Venue Operator Grant program; and
- publicly traded companies.

### **What are the Basic Loan Terms?**

In general, borrowers may receive a loan amount of up to 2.5X the average monthly payroll costs in the one year prior to the loan or the calendar year 2019, with a maximum loan amount of \$2 million. Seasonal employers may calculate their maximum loan amount based on a 12-week period beginning February 15, 2019 through February 15, 2020. New entities may receive loans of up to 2.5X the sum of average monthly

payroll costs. Entities in industries assigned to [\(External\) NAICS code 72](#) (Accommodation and Food Services) may receive loans of up to 3.5X average monthly payroll costs.

Other terms, conditions and limitations apply.

Consistent with SYB's existing SBA lending guidelines, we do not accept applications from Agents acting on behalf of borrowers and do not pay Agents.

**We will provide more information once the Small Business Administration issues rules and guidance.**

For more details on eligibility and requirements, please visit the [SBA website](#).

## Paycheck Protection Program Loan Forgiveness

### **Simplified PPP loan forgiveness process**

Additionally, the new legislation includes provisions that further simplify the PPP Forgiveness Process for loans of \$150,000 or less, whereby a borrower signs and submits a simplified certification to the lender. The legislation requires the SBA to produce a simplified forgiveness application not more than one page in length within 24 days from enactment into law.

We are awaiting this additional guidance from the SBA and plan to roll out our simplified PPP loan forgiveness application in February.

For up-to-date rules for the SBA's PPP loan forgiveness process, including your Covered Period, the type of costs that are eligible for forgiveness and what documentation you will need to submit as part of your application, please visit the [SBA website](#).

Information herein is provided for your convenience. Please be sure to understand and comply with the guidance issued by the SBA.

### **When can I apply for forgiveness using the simplified certification process (included in legislation signed into law on December 27, 2020)?**

We are awaiting this additional guidance from the SBA and plan to roll out our simplified PPP loan forgiveness application in February. Please note:

- Clients may proceed using one of the existing applications (SBA Form 3508 or 3508EZ). However, in light of the new federal legislation, clients with PPP loans of \$150,000 or less may wish to wait to apply using the new simplified application form. We will provide an update when the simplified application process becomes available to them in February.

As a reminder, you may submit a loan forgiveness application at any time after the end of your Covered Period, and on or before the maturity date of your loan, as long as you have an outstanding balance on your PPP loan. This guidance applies regardless of the terms in your PPP Promissory Note.

Please note that your PPP loan deferral period will end prior to your maturity date, at which point you will need to start making payments on any unforgiven amount.

The new legislation repealed the deduction of EIDL advances from loan forgiveness amounts. We are awaiting further guidance from the SBA on how this will apply to borrowers.

### **How did the Paycheck Protection Program Flexibility Act impact the loan forgiveness process?**

The Paycheck Protection Program Flexibility Act, signed into law on June 5, 2020 contained the following changes to the program:

- You now have a 24-week Covered Period, the period in which you must spend the PPP loan proceeds for full loan forgiveness, starting on the date the funds were disbursed. If your PPP loan was funded prior to June 5, 2020, you still have the option to use the original 8-week Covered Period.
- Your deferral period, during which payments on your loan will be deferred, will commence on the date on which your PPP loan was funded and end on (i) the date on which the amount of forgiveness as determined under section 1106 of the CARES Act is remitted to the Bank (or the date the SBA notifies us that no forgiveness is allowed) or (ii) the date which is ten (10) months after the last day of your Covered Period (as determined in accordance with Section 1106 of the CARES Act), if you have not applied for forgiveness by such date.
- You must use at least 60% of funds for eligible payroll costs to qualify for full loan forgiveness, down from 75%
- You can use up to 40% of funds for eligible nonpayroll costs, up from 25%

You can find up-to-date information on the rules of the program on the [SBA website](#).

#### **Applying for PPP Loans:**

### **Step 1: Preparing to Apply**

Track your expenses and work with your payroll provider to collect documentation. If you used PPP loan proceeds for qualified expenses, **PPP loans are eligible for forgiveness up to 100% of the loan amount.**

Review Documentation Requirements [INSERT LINK TO INSTRUCTIONS] for an outline of the documents required to support different categories of costs you can claim on your PPP loan forgiveness application.

**Review the PPP Loan Forgiveness Application Options:**

**From for loans under \$150,000 (Expected to be released by the SBA in late January 2021.**

**Form 3508EZ** ([\(External\) Loan Forgiveness Form EZ and Instructions](#))

- This form allows certain borrowers to use a streamlined forgiveness application, including reduced documentation requirements. Consider using if,
  - You are a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of your PPP loan application and you did not include any employee salaries in the computation of average monthly payroll, OR
  - You did not reduce annual salary or hourly wages of any employee by more than 25% AND did not reduce full-time equivalency (FTE) employees during covered period, OR
  - You did not reduce annual salary or hourly wages of any employee by more than 25% AND were unable to operate at pre-COVID19 levels of business activity during the covered period due to compliance with government standards of sanitation, social distancing, or any other safety requirement related to COVID-19.

**Form 3508** ([\(External\) Loan Forgiveness Form and Instructions](#))

**Loan Proceeds & Forgiveness Eligibility**

The following expenses are eligible for forgiveness:

- **Payroll costs** (as described in the [Interim Final Rule 1](#)), including compensation to owners (as described in [Interim Final Rule 3](#)) that are paid or incurred during the Covered Period or Alternative Payroll Covered Period.
  - Payroll costs incurred but not paid during the Borrower's last pay date of the Covered Period or the Alternative Payroll Covered Period are eligible for forgiveness if paid on or before the next regular payroll date or Alternative Payroll Covered Period.
  - Payroll costs that were both paid and incurred can only be counted once toward the forgiveness amount
- **Non-Payroll costs** paid or incurred during the Covered Period. Non-payroll costs incurred during the Covered Period must be paid on or before the next regular billing date, even if the billing date is after the Covered Period. Non-payroll costs may not exceed 40% of the loan forgiveness request. The following non-payroll costs are eligible for forgiveness:
  - **Interest payments on business mortgage obligations** (not including the pre-payment of interest or any payment of principal) entered into before February 15, 2020
  - **Business rent/lease payments** (on real or personal property) if the lease was entered into before February 15, 2020
  - **Business utility payments** (e.g., electricity, gas, water, transportation, telephone, internet access) if the service began before February 15, 2020

### Covered Period Details

#### What is the Covered Period?

The default Covered Period runs for 24 weeks (or until December 31, 2020 if it occurs before the end of this 24-week period), starting on the date the loan was funded.<sup>[3]</sup>

Borrowers who received their loans prior to June 5, 2020 may alternatively elect an 8-week Covered Period (starting on the date the loan was funded). If eligible, you may elect to apply for forgiveness before the end of the 24-week period, however, all costs you claim must be paid or incurred during the timeframe you elect.

#### Is there anything I have to do in order to extend my Covered Period to 24 weeks?

No, your Covered Period will automatically extend to 24 weeks unless you indicate otherwise in your Forgiveness Application

#### The Alternative Payroll Covered Period:

The Alternative Covered Period can be used for administrative convenience for Borrowers with a biweekly (or more frequent) payroll schedule. Borrowers may elect to calculate payroll costs using a date that began on the first day of the payroll period following their PPP loan funding date.

## Step 2: Applying for Forgiveness

Following your submission of a complete application through your SYB relationship manager, along with documentation necessary to substantiate your claim for forgiveness, SYB has sixty (60) days to review your application and notify the SBA of our decision on the amount of your claim.

SYB's review will include:

- Confirming receipt of the borrower certifications contained in the Loan Forgiveness Application Form
- Confirming receipt of all documentation required to verify payroll and nonpayroll expenses, as specified in the instructions to the Loan Forgiveness Application Form; and
- Confirming the accuracy of borrower's calculations listed on the loan forgiveness application by reviewing the supporting documentation.

During our review of your application, you may be contacted to provide additional details and documentation to support your application.

#### Additional Considerations

- If your payroll expenses for the covered period are greater than your loan forgiveness amount, you do not have to provide documentation related to non-payroll expenses.
- If you do not apply for forgiveness, or if there is a balance remaining after SBA remits its forgiveness payment, you will be required to begin making payments on the balance due in accordance with the terms of your loan documents.
- You may submit a loan forgiveness application any time before the maturity date of the loan, as stated in your loan documents

## Step 3: SBA Review

Once SYB's review is complete, a decision on the forgiveness claim will be made and submitted to the SBA. After that, the SBA has 90 days to remit payment of the lender-approved forgiveness amount.

We will inform you of the SBA's decision once we receive a response.

If you do not apply for forgiveness, or if there is a balance remaining after SBA remits its forgiveness payment, you will be required to begin making payments on the balance due in accordance with the terms of your loan documents.

If you have additional questions, please contact your banker directly.