



Good Evening,

We wanted to provide you with a brief update regarding the potentially-forgivable loan options from the SBA.

In response to the COVID-19 pandemic, the Small Business Administration (SBA) has new loan programs designed to assist small businesses. Two of these loan programs are summarized below. As of today, the information from the SBA regarding the Paycheck Protection Program (PPP) is still developing. Once the SBA provides additional details, we will pass that information along to you.

1. **Paycheck Protection Program (PPP):** The Paycheck Protection Program is designed to provide a direct incentive for small businesses to keep their workers on payroll by providing each small business a potentially forgivable loan up to \$10 million for payroll and certain other expenses. The attached document provides additional details regarding the PPP.
 - a. Loan amount is 2.5x the average monthly payroll costs, measured over the 12 months preceding the loan origination date. Prosperity Payroll will assist you in providing the documentation necessary to determine this amount.
 - b. Interest rate not to exceed 4%.
 - c. No personal guaranty and no collateral required.
 - d. Requires a good faith certification that the uncertainty of the current economic conditions makes the loan necessary to support its ongoing operations and an acknowledgment that the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments and utility payments.
 - e. The funds can be used for payroll costs, group healthcare benefits, insurance premiums, and interest (but not principal) on mortgages or other debt incurred prior to February 15, 2020, rent on any lease in force prior to February 15, 2020 and utility payments.
 - f. If all employees are kept on payroll for eight weeks, SBA will forgive the portion of the loans used for payroll, rent, mortgage interest, or utilities. Up to 100 percent of the loan may be forgivable.
 - g. Acceptance of this loan disqualifies the business from receiving an employee retention tax credit (described in another publication)

How to Apply: ***pending additional guidance from the SBA***, please monitor [SBA Paycheck Protection Program](#) or contact your banker. As additional guidance becomes available, we will update you.

2. **Economic Injury Disaster Loan (EIDL):** This loan program provides eligible small businesses with working capital loans to assist with the temporary loss of revenue they are experiencing related to the COVID-19 pandemic. According to the CDC, applicants who apply for this loan may request an advance of up to \$10,000. The advance will be made available within three days of a successful application, and this loan advance will not have to be repaid.
 - a. Loan amount based on actual injury
 - b. Interest rate is 3.75%
 - c. Requires personal guaranty
 - d. The funds can be used for working capital

- e. The Loan has to be repaid, unless successfully converted to a potentially-forgivable PPP that qualifies for forgiveness.

How to Apply: Applications to this program can be completed now by [clicking here](#)

Please note that businesses cannot get both EIDL and PPP loans at the same time. You can apply for the EIDL loan now and the PPP loan when it becomes available. If you qualify and accept the EIDL loan, and you subsequently qualify for the PPP loan, you can re-finance the EIDL loan with the PPP loan, OR you can apply for both loans and decide which one you take if you qualify for both. Loans are limited to one per Taxpayer Identification Number. The above-referenced loan programs are just two of the Federal loan options available to employers. We strongly encourage you to speak with your banker and/or accountant about these and other loan options available to you, including state backed loan programs. For more information regarding Federal loan options, please visit GovLoans.com

Please let us know if you have any questions or need any additional information.

Sincerely,

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