

The CARES Act and Paycheck Protection Program

As a certified Small Business Administration (SBA) provider, First Midwest Bank will continue to monitor how the CARES Act will be administered, along with specifics on the Paycheck Protection Program (PPP), a new \$349 billion Small Business Administration lending program with a 100% government guarantee through 12/31/2020.

While the administration will continue to release information, here is what we know so far.

Who is Eligible?

- A small business with fewer than 500 employees (includes all employees: full-time, part-time, and any other status)
- A small business that otherwise meets the SBA size standard (see below)
- 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 501(c)(19) Veterans Organization that meets the SBA size standard
- A few 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

What is the Paycheck Protection Program (PPP)?

The PPP provides cash-flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during this emergency. PPP has a host of attractive features, including forgiveness of up to 8 weeks of payroll, based on employee retention and salary levels, and no SBA fees, and at least six months of deferral with maximum deferrals of up to a year.

Additional PPP Details:

- Loan amount cannot exceed \$10 million.
- Payroll costs exclude compensation in excess of \$100,000 paid to any individual employee.*
- Borrowers will have a portion of their loan forgiven in the amount equal to their payroll costs (excluding the above bullet), interest payments on mortgages, and rent and utility payments between 2/15/20 – 6/30/20.
- Employers must certify that they will maintain their average full-time equivalent employment.
- Incentives exist to re-hire employees if they have been furloughed.
- Loan forgiveness may be reduced if the borrower reduces employment, or if the borrower reduces salaries and wages by more than 25% of the prior year's compensation.**
- The normal SBA "no credit elsewhere" test is being waived, eliminating the need for a borrower to have a government guarantee to receive a loan.

Important to note: Businesses will need to apply for, and provide documentation, to request debt forgiveness. It will be up to the SBA to determine, what, if anything is forgiven.

Please reach out to your Relationship Manager with any questions, or visit our dedicated business [COVID-19 Site](#).

* Includes self-employed. Will be prorated to the 8-week covered period.

** Any employer that receives a Paycheck Protection Loan will not be eligible for a credit against employment taxes. Consult your payroll tax advisor for details.

Details on how the SBA PPP program will be administered are still being developed. The information provided is based on the program features as communicated by the SBA as of March 30, 2020. First Midwest will continue to monitor developments and share them with our clients as they become known.