



**Texas Bankers Association**  
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**CARES Act Small Business Assistance**

**PAYCHECK PROTECTION PROGRAM**

**BASIC GROUNDRULES:**

100% guarantee by the SBA.

Who is eligible to participate? Small business concerns (e.g., fewer than 500 employees); sole proprietors, independent contractors, and the self employed so long as income is less than \$100,000 in one year; nonprofit organizations; veterans organizations; and Tribal concerns. Business concerns with more than one location are eligible, and affiliation rules are waived for franchises with fewer than 500 employees.

Employees include full time, part time, and “other”.

What is a covered loan (PPP loan)? Loan made between February 15, 2020 and June 30, 2020.

Payroll costs equal:

- 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 for healthcare benefits;
- Payment for retirement benefits; and
- Payment of payroll taxes.

**PAYCHECK PROTECTION LOANS:**

The **SUM** of:

The product obtained by multiplying: **2.5 Times the AVG total monthly payments for payroll costs** incurred over one yr period (12 wk period for seasonal employees);

**AND**

The outstanding amount of an SBA EIDL loan (Economic Injury Disaster Loan).

**MAXIMUM LOAN AMOUNT MAY NOT EXCEED \$10,000,000.**

**ALLOWABLE USES OF COVERED LOANS:**

Loan proceeds may be used for:

- Payroll costs;
- Group healthcare benefits during the covered period, including paid sick, medical or family leave, and insurance premiums;
- Employee salaries, commissions, or similar compensations;
- Payments of mortgage interest (excluding principal);



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- Rent;
- Utilities; and
- Interest on any other debt obligations that were incurred during the covered period.

**DELEGATED AUTHORITY:**

A lender approved to make loans under this section shall be deemed to have been delegated authority by the SBA to make and approve covered loans.

**CONSIDERATIONS:**

In evaluating eligibility of a borrower, a lender shall consider whether the borrower:

- Was in operation on February 15, 2020; and
- Had employees for whom the borrower paid salaries and payroll taxes or paid independent contractors.

**\*\*ADDITIONAL LENDERS\*\***

The authority to make PPP loans shall be extended to additional lenders determined by the SBA and the Secretary of the Treasury to have necessary qualifications to process, close, disburse and service loans made with the guarantee of the Administration. (***This means that lenders do not have to currently be certified SBA lenders to participate.***)

**NONRECOURSE:**

The SBA Administrator shall have no recourse against any eligible recipient of a covered loan.

**FEE WAIVER**

During the covered loan period with respect to a covered loan, the SBA waives fees.

**WAIVER OF PERSONAL GUARANTEE REQUIREMENT:**

Borrowers shall not be required to provide a personal guarantee for a covered loan; and No collateral shall be required for the covered loan.

**MAXIMUM MATURITY DATE:**

Covered loans shall have a maximum maturity of 10 years.

**INTEREST RATE REQUIREMENTS:**

The interest rate for PPP loans **shall not** exceed 4 percent.

**LOAN DEFERMENT:**

The SBA shall require PPP lenders to provide complete payment deferment relief for borrowers with PPP loans for a period of not less than 6 months, including principal, interest, and fees, and not more than 1 year.



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**SECONDARY MARKET:**

If a PPP loan is sold on the secondary market and an investor declines to approve a deferral request, the SBA will purchase the loan so the borrower can receive the deferral period.

**GUIDANCE:**

SBA shall provide guidance to PPP lenders within 30 days of enactment  
(Date of enactment = 3/27)

**REGULATORY CAPITAL REQUIREMENTS:**

- Zero risk weight;
- FDIC-insured institution that modifies a PPP loan in a TDR on or after March 13, 2020 shall not be required to comply with FASB TDR standards until such time and under such circumstances as the appropriate federal banking agency deems appropriate.

**REIMBURSEMENT FOR PROCESSING:**

IN GENERAL: SBA shall reimburse a lender authorized to make a PPP loan at a rate, based on the balance of the financing outstanding at the time of the disbursement of the PPP loan, of:

- 5% for loans of not more than \$350,000;
- 3% for loans between \$350,000 and \$2 million; and
- 1% for loans over \$2 million.

FEE LIMITS: an agent that assists an eligible borrower for preparing an application for a PPP loan may not collect a fee in excess of the limits established by the SBA.

TIMING: a reimbursement shall not be made later than 5 days after the disbursement of the PPP loan.

**DUPLICATION:**

A recipient of an EIDL made between January 31, 2020 and June 30, 2020 is still eligible to apply for a PPP loan during the covered period.

**WAIVER OF PREPAYMENT PENALTY:**

THERE SHALL BE NO PREPAYMENT PENALTY FOR ANY PAYMENT MADE ON A COVERED LOAN.