



CARES Act - Paycheck Protection Program

I've spent the last two days reading the more than 850-page "CARES Act" recently signed into law. This very large economic measure will provide many small businesses, non-profits, Tribal business concerns, and veteran's organizations with funds that can be accessed through banks.

While we know a lot about the general framework, there are still details that are not yet known regarding applications, forms, and procedural processes. We expect to get the final details as well as the required forms and documentation from the SBA sometime between March 30th and April 3rd, which will allow us to start processing applications.

We have already assembled a team that is reviewing the information currently available. This team will be ready to act as soon as the detailed requirements are provided by the SBA. Instead of summarizing the CARES Act, we've attached the best summary of which we're aware and are also providing below practical advice and FAQs we consider critical for entities considering a loan under this program.

Can you apply for the SBA loan approved under the "CARES Act" today?

Not yet. The bill has been signed and the U.S. Treasury and SBA will be providing the details for applications and loan closing to banks sometime between March 30th and April 3rd. Within 24 hours of the SBA publishing that information, Grand Bank will be ready to take and process your application. Please call or email your banker or email jroby@grandbank.com to register your interest in an SBA loan under the CARES Act. We will let you know when you are able to apply.

Why do I see some institutions advertising applications or sending out existing SBA 7a application forms?

The SBA program approved under the CARES Act is materially different from existing SBA loans. Given the unprecedented program and its unique requirements, we expect there will be new and/or additional forms. It is not yet known which, if any, of the existing SBA forms will still be required and what will be added.

What if I've already reduced staff or reduced compensation to employees?

In calculating the amount of the loan that is eligible to be forgiven, the bill provides an "exception for re-hires" that effectively provides the Borrower a grace period to restore the number of employees and/or salaries.

If I can't apply yet, what should I do while awaiting details from the SBA and Grand Bank?

While we won't know every piece of documentation that will be required, below is a list of information and documents you should be ready to make available:

- **Know your historical payroll costs.** To determine the maximum loan amount the bill uses the average total monthly payments by the applicant for payroll costs incurred during the 1-year period before the date on which the loan is made times 2.5, with a maximum of \$10 million. Some exceptions will be made for seasonal businesses as to the dates used in this calculation.

Payroll costs include salary, wages, commissions, vacation, PTO, health-insurance benefits, retirement benefits, and payment of state or local tax assessed on the compensation of employees. There are some exceptions related to salaries in excess of \$100,000.

While we don't know exactly what will be required to document these costs or exactly when the 1-year period will be determined, we do know that you should be ready to document your historical payroll costs data.

- **SBA loans under the "CARES Act" have the potential to be forgiven, so know your historical employment numbers during the dates between February 15, 2019 and June 30, 2019 as well as between January 1, 2020 and February 29th, 2020.** A percentage of the loan amount up to 100% has the potential to be forgiven based on the average monthly number of employees maintained during the COVID-19 crisis (February 15, 2020 through June 30, 2020) divided by the average monthly number of full-time-equivalent employees prior to the crisis. As the Borrower, you may elect to use either of the date ranges listed above as your denominator.

For example, If a company had 20 employees before the COVID crisis began and maintained 18 employees during the crisis, language in the Act suggests 90% (18 divided by 20) of the loan would be forgiven, assuming no other non-qualifying conditions exist.

Applicants should know their historical employment numbers as well as understand their ability to maintain full-time employees thru June 30, 2020 prior to application if loan forgiveness is a critical part of their decision to apply. Other limits can affect the amount of loan forgiveness as described in the attached summary, for instance reducing compensation by more than 25% for employees making less than \$100,000 per year can reduce the amount of the loan being forgiven.

- **Be prepared to document loan proceeds were used in accordance with the requirements of the CARES Act.** A requirement of the loan is that proceeds can only be used for payroll costs, health-care benefits, interest payments on any mortgage obligation (no principal), rent and utilities, and interest on any other debt obligations that were incurred before February 15, 2020.

To simplify compliance with this requirement, it may be a good idea to establish a segregated deposit account for these funds to be deposited and only allow payment of these items from that account. While you can't apply for the loan yet, we can get that account opening started. Grand Bank has the ability to open new accounts remotely with e-sign, and if you want to get started today, please call your banker or email deposits@grandbank.com and we'll contact you.

- **Have your entity documents, financial statements and tax returns in order and available.** Entity documents include articles of organization, bylaws, certificate of organization, employer identification number ("EIN"), etc. We don't know what financial reporting will be required, but it's always a best practice to have readily available your last three years of tax returns and financial statements for your entity.

We hope this helps you be prepared to apply for assistance provided by the CARES Act. We will have better information once the Treasury and the SBA issues the final rules and regulations contemplated by the CARES Act. Please know that we are ready and able to assist you with your specific banking needs once the final rules and regulations are issued. If you have any questions, please feel free to reach out to one of our bankers at 918.491.9700.

Stay healthy and shop local,



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President & CEO
Grand Bank

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