

# Paycheck Protection Program Frequently Asked Questions

Below you will find an overview of the Paycheck Protection Program (PPP), with information current as of April 1, 2020. PNC Bank is waiting for additional guidance from the Small Business Association (SBA) on the PPP and the loan application process.

As the SBA makes more information available, this FAQ will be updated. If your question is not answered below, then information is not available at this time.

## WHAT IS THE PPP?

The PPP is a federal loan program that helps small and medium-sized businesses impacted by the coronavirus (COVID-19) to retain their workforce. The loan is an SBA 7(a) loan with the following terms:

- Up to 4.00% fixed interest rate
- Deferred payments for first 6–12 months
- The unforgivable portion of the PPP loan can currently be repaid over 2 years; the SBA sets this payback period and it cannot exceed 10 years
- Up to 100% of the principal amount may be forgiven after 8 weeks

## HOW IS THIS LOAN UNIQUE?

The Paycheck Protection Program was signed into law in the wake of the COVID-19 global health crisis. One of this program's significant features is that you can apply for loan forgiveness after receiving the funds. Forgiveness can be up to 100% of the loan amount. Guidance indicates a limit of 25% of the forgiven amount that may be for non-payroll costs. Another unique feature is the loan deferment, meaning you won't have to pay principal or interest on your loan for the first 6–12 months.

## HOW DO I APPLY FOR A PPP LOAN?

This loan will be packaged as an SBA 7(a) loan program. Businesses can apply through PNC Bank, a preferred SBA lender (or other qualified SBA lenders). SBA and PNC Bank application fees will be waived for all borrowers. Lenders will have delegated authority to make and approve loans without requiring SBA review or approval — this streamlined process is designed to get capital in the hands of businesses quickly. If you are a current PNC customer, your Business Banker or Relationship Manager can show you how to apply.

## AM I ELIGIBLE FOR A LOAN?

Small and medium-sized businesses that were in operation prior to February 15, 2020, with 500 or fewer contract or salaried employees, are generally eligible to apply for this loan. Additionally, the business must have paid salaries and payroll taxes and/or independent contractors as reported on Form 1099-MISC.

Additionally, businesses can qualify by meeting the SBA's

NAICS-based size test, which is based on the number of employees or revenue relative to an industry size threshold. Details on SBA size standards can be found [here](#).

## WHAT IS YOUR MAXIMUM LOAN AMOUNT?

Calculate your maximum loan amount by taking your business's average monthly payroll over the prior 12 months and multiplying it by 2.5. Your monthly payroll includes wages, tips, group health, retirement benefits and employer-paid taxes, but excludes the amount of compensation to individuals in excess of \$100,000. The maximum loan amount is the lesser of that value or \$10,000,000.

Seasonal businesses and businesses not in operation from February 15, 2019, to June 30, 2019, are subject to a different measurement period for purposes of determining average monthly payroll.

## WHAT DOCUMENTATION DOES A BUSINESS NEED TO PROVIDE FOR THE APPLICATION?

Although we are still waiting for final program details from the SBA, you can begin gathering the information that we believe may be required as part of the application process. Below is a list of documents that PNC Bank believes will be beneficial to you when applying for a Paycheck Protection Program loan:

1. 2019 IRS Quarterly 940, 941 or 944 payroll tax reports
2. Payroll reports for a 12-month period (ending on your most recent payroll date), which will show the following information:
  - i. Gross wages for each employee, including officer(s) if paid W-2 wages
  - ii. Paid time off for each employee
  - iii. Vacation pay for each employee
  - iv. Family medical leave pay for each employee
  - v. State and local taxes assessed on an employee's compensation
3. 1099s for independent contractors for 2019
4. Documentation showing total of all health insurance premiums paid by the company owner(s) under a group health plan
  - i. Include all employees and the company owners.

5. Documentation showing the sum of all retirement plan funding that was paid by the company owner(s) (does not include funding that came from the employees out of their paycheck deferrals)
  - i. Include all employees, including company owners.
  - ii. Include 401(k) plans, SIMPLE IRA, SEP IRAs.

### **WILL I NEED TO PLEDGE COLLATERAL OR A PERSONAL GUARANTEE TO QUALIFY?**

No. The Paycheck Protection Program does not require collateral or a personal guarantee.

### **HOW LONG WILL IT TAKE TO GET MY LOAN PROCEEDS?**

Once the SBA releases details and guidance on the Paycheck Protection Program, PNC Bank can approve your loan and disburse funds as fast as possible by wire transfer or ACH payment directly into your PNC business deposit account.

### **WHAT ARE THE APPROVED USES OF LOAN PROCEEDS?**

Approved uses of proceeds include:

- Payroll costs
- Costs related to the continuation of group healthcare benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions or similar compensations
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease payment)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period

### **WHAT IS MY INTEREST RATE?**

The interest rate for Paycheck Protection Program loans is set by the SBA and is currently 0.50% with a maximum of 4.00% fixed. This information is accurate and updated as of April 1, 2020. Terms and conditions are subject to change.

### **WHAT IS THE DEADLINE TO APPLY?**

The program is administered by SBA lenders and runs through June 30, 2020, contingent upon the availability of program funds.

### **WHAT IF THE ALLOCATED FUNDS RUN OUT PRIOR TO MY APPLICATION/FUNDING?**

There may be more applicants and requests for loans than available funds. If that occurs, not every qualified applicant will receive loan proceeds under the Paycheck Protection Program.

### **IF I TAKE THIS LOAN NOW, CAN I GET ADDITIONAL SBA FUNDS IN THE FUTURE?**

Although we currently understand that the Paycheck Protection Program loan will not affect your future SBA loan funding or total dollars allowed from the SBA, we are awaiting guidance from the SBA on this issue.

### **HOW DOES FORGIVENESS WORK?**

Up to 100% of the principal amount of the loan may be forgiven if you use the proceeds on qualifying expenses. Guidance indicates a limit of 25% of the forgiven amount that may be for non-payroll costs. However, there are certain actions that may reduce the amount of forgiveness, such as reducing the number of employees or reducing employee salaries or wages. We expect that forthcoming SBA guidance will address this issue in greater detail and look forward to providing more information about the forgiveness process at that time.

### **IF MY LOAN IS NOT FORGIVEN, HOW MUCH IS MY MONTHLY PAYMENT?**

Any amount not forgiven will have an interest rate of up to 4.00% fixed (currently set by the SBA at 0.50%) for a period of up to 10 years (currently set by the SBA at 2 years). Payments will be deferred for 6 months following origination, at minimum, and up to 12 months after origination, at maximum.

### **IF I ALREADY HAVE A LOAN WITH PNC BANK, CAN I USE THESE FUNDS TO PAY THAT LOAN?**

Yes, customers can use the Paycheck Protection Program loan proceeds to pay PNC Bank interest. However, any amount applied to non-mortgage debt or principal payments will not qualify for loan forgiveness.

### **I WOULD LIKE TO SPEAK WITH SOMEONE TO BETTER UNDERSTAND MY OPTIONS. WHERE CAN I GET HELP?**

If you are a current PNC Bank customer, reach out to your Business Banker or Relationship Manager. If you are not a PNC customer, we encourage you to research your options on our website at [pnc.com](https://pnc.com) and determine which program is the best fit for your business.

### **CAN I APPLY FOR BOTH AN ECONOMIC INJURY DISASTER LOAN (EIDL) AND A LOAN THROUGH THE PAYCHECK PROTECTION PROGRAM?**

Yes, you can apply for both, but you may only receive proceeds from one loan to use for eligible payroll and related expenses. If you used proceeds from a COVID-19 EIDL to pay payroll and related expenses, you may refinance that EIDL loan with a Paycheck Protection Program loan.

It's critical for you to weigh all options available to you to ensure the best financial decision for your business. To apply for an EIDL, you must apply directly through the Small Business Administration.

For more information on the PPP, visit [pnc.com/paycheckprotectionprogram](https://pnc.com/paycheckprotectionprogram)

For more information on the EIDL, visit the SBA site at [sba.gov/funding-programs/disaster-assistance](https://sba.gov/funding-programs/disaster-assistance)