

# COVID-19 lending relief for current small business customers

**The Paycheck Protection Program (PPP)** offers financial relief through the Small Business Administration (SBA) to small businesses across the U.S. that have been impacted by COVID-19. The federal government has set aside more than \$350 billion through this and other programs. As an SBA-preferred lender, First Horizon may be able to help you access these essential funds for your business. The information below offers more details on these resources designed to provide financial relief between February 15, 2020 and June 30, 2020.

## Am I eligible?

Yes, small businesses including non-profit 501(c)(3)'s, sole proprietorships, independent contractors and self-employed individuals are invited to apply if your business meets these requirements:

- in operation as of 2/15/20
- with less than 500 employees\*
- reporting employees with paid payroll taxes or paid independent contractors reported on a 1099-MISC
- hospitality or restaurant businesses qualify with under 500 employees per location

## What can I borrow?

The maximum loan amount for a covered loan is the average monthly payments for payroll costs incurred during the 1-year prior multiplied by 2.5, not to exceed \$10 million.

- For businesses that have been in operation for 1 year or more, the applicable period is 12 months preceding the date on which the loan is made.
- You can include any refinancing of the balance on any Economic Injury Disaster Loan (EIDL) originated after January 30, 2020 that was not used for the same purpose.

## What can I use the PPP loan for?

- Payroll costs
- Costs related to continuation of group health care benefits during periods of paid sick, medical or family leave and insurance premiums
- Employee salaries, commissions or similar compensation
- Interest payments on any mortgage obligation (NOT any principal payments)
- Rent/lease payments
- Utilities
- Interest on any other debt obligations that were incurred before February 15, 2020

\* Employee figure takes into account affiliates, determined using the SBA's affiliation rules. However, the affiliation rules are expressly waived for hotel and food services industries, franchise and businesses that receive assistance from Small Business Investment Companies.

## What is included when calculating payroll costs?

Payroll costs include:

- salaries, wages, commissions or similar compensation
- payment of cash tips or their equivalent
- payment for vacation, parental, family medical or sick leave
- allowance for dismissal or separation
- payment for group health care benefits including insurance premiums
- payment of retirement benefits
- payment of state/local tax assessed on the compensation of employees
- the sum of payments of any compensation to or income of a sole proprietor or independent contractor that is compensation from self-employment (limited to \$100,000 per year as prorated for the covered period)

Payroll costs **cannot** include:

- individual compensation in excess of \$100,000 per year as prorated for the covered period
- federal payroll taxes (Chapters 21, 22 or 24 of the Internal Revenue Code)
- employee compensation whose principal place of residence is outside the U.S.
- qualified sick leave or family leave wages for which credit is allowed under the Families First Coronavirus Response Act

## Is the loan forgivable?

- Total amount forgivable equals what you pay in eligible payroll costs (covering 8-week period starting on the loan origination date)
- Cost can include:
  - payroll costs
  - rent payments
  - payments of interest on any covered mortgage obligation and utilities
- Total forgiveness cannot exceed the principal financed
- The forgiveness could be impacted if:
  - You reduce the number of employees compared to last year
  - You reduce the pay of any employee by more than 25% compared to last quarter
- If you terminated, furloughed or laid off employees from February 15, 2020 through April 26, 2020, you will not be penalized if you re-hire the employees by June 30, 2020

## What are other important loan details to know?

- The SBA guarantee is 100%
- Payments may be deferred for 6 to 12 months, as determined by the lender
- The requirements for collateral, personal guarantee and “no credit available elsewhere” are expressly waived
- The interest rate is set by the lender but not to exceed 4% on any portion not forgiven
- Maximum term is 10 years from the date the borrower applies for forgiveness

### **What fees apply?**

- The SBA will not charge any annual or guarantee fees, and all prepayment penalties are waived
- First Horizon will waive the packaging fees normally charged for 7(a) loans

### **Are additional resources available?**

Eligible borrowers may apply for an Economic Injury Disaster Loan (EIDL) directly with the SBA in addition to a PPP loan, provided that the loans are not used for the same purpose. If a borrower received an EIDL after January 31, 2020, the borrower may refinance the outstanding balance as part of the PPP loan.

**For more information, please contact your Banker or visit us at [FirstHorizon.com/COVID](https://www.FirstHorizon.com/COVID)**