



PPP FAQs

The Paycheck Protection Program, part of the new CARES stimulus package, is a federal loan program aimed at helping small businesses who have been severely impacted by COVID-19. The main objective of this loan is to help these businesses retain their workforce and assist with other operational expenses.

What is it?

The Paycheck Protection Program is a federal loan program aimed at helping small businesses who have been impacted by Coronavirus retain their workforce. The loan is an SBA 7(a) loan with the following terms:

- 1.0% fixed interest rate
- 5-year term loan
- Up to 100% of the principal amount may be forgiven
- Payment of principal, interest and fees is deferred until the forgiveness process is complete and the lender is paid by the SBA

How is this loan unique?

This loan program was created by the Federal Government 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. Another unique feature is that you won't have to pay on your loan until you've completed the forgiveness process and your lender has been paid by the SBA.

Am I eligible for a loan?

Small businesses, including sole proprietors, independent contractors, self-employed individuals, nonprofit organizations, tribal business concerns, and Veterans' organizations, that were in operation prior to February 15, 2020, are eligible to apply. The small business must have 500 or less contract or salaried employees. Businesses must have paid salaries and payroll taxes and/or independent contractors as reported on Form 1099-MISC.

How is the loan amount determined?

We'll calculate your loan amount by taking your business's average monthly payroll and multiplying it by 2 1/2. Your monthly payroll includes wages, tips, group health, retirement benefits and taxes but excludes the amount of compensation to individuals in excess of \$100,000. The maximum loan amount is \$10 million. There are other important details in calculating the average monthly payroll.

Will I need to pledge collateral or a personal guarantee to qualify?

No.

What is my interest rate?

The interest rate for Paycheck Protection Program loans is 1.0% fixed.

How long will it take to get my loan proceeds?

Live Oak will process your application, approve and disburse funds as quickly as possible. According to the latest guidance from SBA, your bank must make the first disbursement of the PPP loan no later than 10 calendar days after the loan is assigned an SBA loan number.

Live Oak Bank cannot provide legal, tax or accounting advice. You should consult your own counsel, accountant and other advisors to evaluate your individual facts and circumstances in connection with your PPP loan and the forgiveness process.

This information is accurate and updated as of 6.9.2020. Terms and conditions are subject to change.

What are the approved areas I can spend the money on?

Approved uses of proceeds include:

- Payroll costs, including benefits
- Interest on mortgage obligations, incurred before February 15, 2020
- Rent, under lease agreements in force before February 15, 2020
- Utilities, for which service began before February 15, 2020

What counts as payroll costs?

Payroll costs include:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee)
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit
- State and local taxes assessed on compensation
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee

If I take this loan now, can I get additional SBA funds in the future?

It is our understanding that it will not affect your future SBA loan runway or total dollars allowed from the SBA, but we are awaiting guidance from SBA.

How does forgiveness work?

Up to 100% of the loan is eligible for forgiveness as long as the following are met:

- Loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs within 24 weeks of receiving loan proceeds
- Employee and compensation levels are maintained or restored by December 31, 2020
- At least 60 percent of the PPP loan proceeds shall be used for payroll costs in order to be forgivable
- Forgiveness application must be submitted within 10 months after the covered period (24 weeks from loan origination)

If my loan is not forgiven, how much is my monthly payment?

Any amount not forgiven will have an interest rate of 1.0%. This is a 5-year term loan, but no payments are due until you've completed the forgiveness process and your lender has been paid by the SBA.

I already have a loan with Live Oak Bank, can I use these funds to pay that (SBA) loan?

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

Can I apply for both an Economic Injury Disaster Loan (EIDL) and a loan through the Payroll Protection Program (PPP)?

If you received an SBA EIDL loan from January 31, 2020 through April 3, 2020, you can apply for a PPP loan. If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan. Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.

It's critical for you to weigh all options available to you to ensure the best financial decision for your business.

There are important exceptions and conditions to the Paycheck Protection Program and the terms summarized within this document. Please be sure to check with your lender for the latest terms and conditions.

Live Oak Bank cannot provide legal, tax or accounting advice. You should consult your own counsel, accountant and other advisors to evaluate your individual facts and circumstances in connection with your PPP loan and the forgiveness process.

This information is accurate and updated as of 6.9.2020. Terms and conditions are subject to change.