FAST FUNDING WHEN YOU NEED IT MOST

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.

Our effort to put CARES Act capital into the hands of small business owners nationwide is underway. We are busy processing Paycheck Protection Program loans and are unable to accept new applications at this time. We are working as quickly as possible with the hope of helping others but can make no assurances. Thank you and stay tuned for updates by checking our COVID-19 resources page: https://www.liveoakbank.com/crisis-small-business-resources/.

FREQUENTLY ASKED QUESTIONS

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
- 2-year term loan, but no payments are due for the first 6 months
- Up to 100% of the principal amount may be forgiven

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 for the first 6 months.

HOW DO I APPLY FOR A LOAN?
We are busy processing Paycheck Protection Program loans and are unable to accept new applications at this time. We are working as quickly as possible with the hope of helping others but can make no assurances. In the meantime, you can find a list of approved SBA lenders here.

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.

This information is accurate and updated as of 4.17.2020. Terms and conditions are subject to change.
HOW LONG WILL IT TAKE TO GET MY LOAN PROCEEDS?
Live Oak will process your application, approve and disperse 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 approved.

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

WHAT IS MY INTEREST RATE?
The interest rate for Paycheck Protection Program loans is 1.0% fixed.

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 both of the following are met:
• Loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8-week
period after the loan is made
• Employee and compensation levels are maintained or restored

The SBA and U.S. Treasury Department have issued guidance that at least 75 percent of the PPP loan proceeds shall be used
for payroll costs in order to be forgivable.

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 2-year term loan, but no payments are due for the first
6 months.

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 AND A LOAN THROUGH THE PAYMENT
PROTECTION PROGRAM?
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.

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