

COMMITTED TO SMALL BUSINESS

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 workforce and assist with operational expenses. Our effort to put CARES Act capital into the hands of our local small business owners is underway.

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

The loan amounts will be forgiven as long as:

- The 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; and
- Employee and compensation levels are maintained.

Payroll costs are capped at \$100,000 on an annualized basis for each employee. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

WHEN CAN I APPLY?

- Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

HOW DO I APPLY FOR A LOAN?

This loan will be packaged as an SBA 7(a) loan, and businesses can apply through qualified lenders including Midstates Bank. SBA application fees will be waived for both borrowers and lenders. Due to the minimal program requirements, the approval and funding process will be streamlined; resulting in getting capital in the hands of businesses who need it most.

You will need to complete the Paycheck Protection Program loan application and submit the application with required documentation to your local lender that is available to process your application by June 30, 2020. Click [HERE](#) for the application. If you are a current Midstates Bank customer, reach out to your local branch or loan officer.

WHO CAN APPLY?

All businesses – including nonprofits, Veterans' organizations, Tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees can apply. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries (click [HERE](#) for additional detail).

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. If you are a current Midstates Bank loan customer, reach out to your Business Analyst or loan officer.

WHAT OTHER DOCUMENTS WILL I NEED TO INCLUDE IN MY APPLICATION?

You will need to provide your lender with payroll documentation.

WHAT OTHER DOCUMENTS WILL I NEED TO INCLUDE IN MY APPLICATION?

Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan.

HOW MANY LOANS CAN I TAKE OUT UNDER THIS PROGRAM? Only one.

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; and
- 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.

HOW DOES FORGIVENESS WORK?

You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

You will also owe money if you do not maintain your staff and payroll.

- Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

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.

HOW CAN I REQUEST LOAN FORGIVENESS?

You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must decide on the forgiveness within 60 days.

WHAT IS MY INTEREST RATE?

0.50% fixed rate.

WHEN DO I NEED TO START PAYING INTEREST ON MY LOAN?

All payments are deferred for 6 months; however, interest will continue to accrue over this period.

WHEN IS MY LOAN DUE?

In 2 years.

CAN I PAY MY LOAN EARLIER THAN 2 YEARS?

Yes. There are no prepayment penalties or fees.

DO I NEED TO PLEDGE ANY COLLATERAL FOR THESE LOANS?

No. No collateral is required.

DO I NEED TO PERSONALLY GUARANTEE THIS LOAN?

No. There is no personal guarantee requirement.

If proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.

DO I NEED TO PERSONALLY GUARANTEE THIS LOAN?

As part of your application, you need to certify in good faith that:

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- You have not and will not receive another loan under this program.
- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

I WOULD LIKE TO SPEAK WITH SOMEONE TO BETTER UNDERSTAND OPTIONS, WHERE CAN I GET HELP?

If you are a current Midstates Bank customer, reach out to your local branch or loan officer at **1-800-710-9070** or email at msbnahelp@msbna.com.