



March 27, 2020

Paycheck Protection Program

How the CARES Act may help small business owners

At U.S. Bank, we take our responsibility to keep our clients informed of developments that may impact their financial plans seriously. We understand these are troubling times from both a health and financial perspective. We remain committed to identifying opportunities to help clients navigate the current financial environment.

If you own, operate and/or manage a business, the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress could have a significant impact on your business. The “Paycheck Protection Program” is a new \$349 billion Small Business Administration (SBA) lending program with a 100% government guarantee. Loan proceeds can be used to cover payroll, healthcare, mortgage, rent, utilities and interest on debt.

Eligible borrowers include the following:

- Small businesses as defined by SBA size standards (generally up to 500 employees).
- Businesses in the Accommodation and Food Services Sector (North American Industry Classification System (NAICS) Code 72) with up to 500 employees at each location.
- Non-profits with fewer than 500 employees who are 501(c)3s and do not receive Medicaid funding.
- Sole proprietors, the self-employed, and independent contractors.

The Paycheck Protection Program provides loans for 2 ½ months of payroll costs with a 100% government guarantee. The regulatory process is designed to be user-friendly and loan forgiveness is available based on meeting specific criteria including:

- Loan amount cannot exceed \$10 million.
- Payroll costs exclude compensation paid to individuals, including the self-employed, above \$100,000 a year.
- Employers must certify that they will maintain their average full-time equivalent employment, and incentives exist to re-hire employees if they have been furloughed.
- Borrowers will have a portion of their loan forgiven in the amount equal to their payroll costs (excluding costs for compensation to those earning more than \$100,000 annually), interest payments on mortgages, and rent and utility payments between February 15 and June 30, 2020.
- Loan forgiveness will be reduced if the borrower reduces employment (by a ratio similar to their reduction in employment) or if the borrower reduces salaries and wages by more than 25%.
- The normal SBA “no credit elsewhere” test is being waived eliminating the need for a borrower to have a government guarantee to receive a loan.

As we learn more about how the program will be administered, we will provide you with more specifics regarding the Paycheck Protection Program. We are committed to helping our clients determine if this program makes sense for their businesses and to developing a streamlined application process. We will share more details in the coming days.

We value our relationship with you and look forward to continuing to help you with your financial and business goals. If you have questions, you may refer to the [Paycheck Protection Program Inquiry](#) form for more information. For other wealth management needs, please contact your U.S. Bank wealth management professional.

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