

CARES Act – SBA Payment Protection Program (PPP) Loans

Regulatory and Compliance Considerations

April 3, 2020

Who is eligible for SBA-PPP loans?

Businesses with 500 or fewer employees can apply if they fall into one of the following categories: 501(c)(3) nonprofits, 501(c)(19) veteran’s organizations, tribal businesses, sole proprietorships, self-employed individuals, and independent contractors. There are certain exceptions for businesses larger than 500 employees.

What can eligible businesses use the loan proceeds for?

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

What are the terms of the loan?

- Maximum loan amount: \$10 million dollars
- Maximum interest rate: 1.00% fixed rate
- Maximum loan term: 2 years
- Prepayment penalties: None
- Collateral required: None
- Personal guarantee: None. However, if funds are used for fraudulent purposes, criminal charges will be pursued.

When will eligible businesses be able to start applying?

- April 3, 2020: Small businesses and sole proprietorships
- April 10, 2020: Independent Contractors and self-employed individuals

Which lenders can make SBA-PPP loans?

- Existing SBA lenders can begin offering loans to eligible businesses beginning April 3, 2020.
- Non-existing SBA lenders can begin offering loans to eligible businesses after they have been approved and enrolled in the program.

What documents will eligible businesses need to have to apply for an SBA-PPP loan?

- Payroll Documentation:
 - General payroll documentation that requirements include payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. If a borrower does not have this documentation borrowers must provide other supporting documentation, such as bank records, that would be sufficient in demonstrating the payroll amount.
- Paycheck Protection Program loan application

Additional Credit Union Considerations

No two credit unions are the same, which means that no two credit union should approach offering SBA-PPP loans the same way. Each credit union should consider the policies and procedures that they currently have in place regarding business accounts and commercial lending. In some instances, credit unions will need to review their policies and procedures to make potential modifications before offering these loans. Lastly, although it is not a regulatory requirement, a best practice may be to reach out to your Examiner in Charge (EIC) with the Division to discuss with them your plan on offering these loans so they can provide aid with different safety and soundness considerations.

PolicyWorks Contact Information

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