

OAK VIEW NATIONAL BANK

Understanding the Paycheck Protection Program

The Paycheck Protection Program (“PPP”) is part of the new CARES ACT stimulus package, which provides relief for small businesses and their employees who are adversely affected by the outbreak of COVID-19. The cornerstone provision of the CARES ACT is the **“Paycheck Protection Program”**, administered through banks by the Small Business Administration (SBA) under its 7(a) lending program to provide small business loans on favorable terms to borrowers impacted by the current state of economic uncertainty.

The Paycheck Protection Program is intended to accomplish two fundamental goals: 1) help small businesses cover their near-term operating expenses during the worst of the crisis and, 2) provide a strong incentive for employers to retain their employees. In short, it is intended as a partial revenue replacement program to allow deeply affected businesses to hibernate through a period of severe disruption without making drastic changes to their business. The terms are generous and the barriers to entry low in an effort to ensure resources would be made available quickly.

When will the program be available?

Based on conversations with the SBA on March 30, 2020, CARES Act loans are not yet available. The SBA does not expect to have the rules and procedures in place until the week of April 6 -10, 2020.

Who is eligible to get a loan?

Small businesses with less than 500 employees* established before February 16, including self-employed persons and independent contractors, non-profits 501(c)3, veterans’ organizations 501(c)19 and tribal business concerns.

*Eligible borrowers are (i) any business with less than 500 employees or that meets the SBA’s size standard for its industry; (ii) businesses in the hotel and food service industries that have more than one location and not more than 500 employees at each location; (iii) certain sole proprietors and contractors; and (iv) nonprofit organizations.

Borrowers do not need to demonstrate actual economic harm in order to qualify. Instead, they simply need to make a series of good faith certifications, principally that current economic conditions necessitate the loan to support ongoing business operations and that the funds will be used to maintain payroll and address other covered expenses. The borrower must also certify that they are not receiving this assistance and duplicative funds for the same uses from another SBA program.

How do I apply?

Send a secure email to info@oakviewbank.com . Secure email is available via the bank’s website www.OakViewBank.com. Streamlined application procedures will be available soon. We are monitoring

that email address and will respond to your questions as best we can until more information becomes known.

How much can I borrow?

Up to \$10 million but not more than 2.5 times average monthly payroll costs during the 1 year period before the date on which the loan is made. For new businesses, the measurement period would be January 1, to February 29, 2020.

What does participation in the program cost?

Loan origination fees are waived. There are no closing costs. Prepayment fees are waived.

Interest will not exceed 4%.

What documentation will I need?

We will create a detailed checklist once the SBA publishes its guidelines. There is no credit underwriting, so no tax returns, financial statements, credit reports, etc. will be required.

What period does the program cover?

The Covered Loan Period is retroactive to February 15, 2020 through June 30, 2020.

What are the Allowable Uses?

Proceeds of the loan may be used to pay for payroll costs, healthcare benefits (including paid sick or medical leave and insurance premiums), mortgage interest, rent obligations, utility payments, and interest on other debt obligations incurred prior to February 15, 2020.

What are the repayment terms?

There will be no payments for the first 6-12 months. Once the SBA forgiveness is determined, any non-forgivable remaining principal balance will be amortized over a period of up to 10 years.

How much of the loan will be forgiven?

Borrowers are eligible for up to 100% forgiveness of principal equivalent to the sum spent on covered expenses during the 8 week period after the loan is originated. Those covered expenses include the bulk of a typical business's fixed operating costs: payroll costs (compensation above \$100,000 excluded), rent obligations, utility payments, and mortgage interest obligations. The forgivable nature of these loans in

effect turns them into grants, meaning that qualifying businesses will not see a significant increase in their debt burdens. But to qualify for forgiveness, employers must maintain their pre-crisis level of full time equivalent employees, or else face a reduction in forgiveness proportional to the reduction in headcount. Since many businesses have already been forced to make staffing reductions in response to lost revenues, the legislation includes a clause that allows them to qualify for loan forgiveness if they have re-hired back to pre-crisis levels by June 30, 2020.

Will I have to pay Federal Income Tax on the amount forgiven?

The canceled loan amount will not count towards gross income for tax purposes.

Will you take a lien on my assets?

No collateral is required.

Will I have to sign for the loan personally?

No personal guarantees are required for loans to an entity.

EXAMPLE:

A small business with fewer than 500 employees and an average monthly payroll of \$150,000 applies for a PPP loan with Oak View. After attesting that the COVID-19 virus has impacted its business operations, the business receives a loan of \$375,000. Over the next 8 weeks it is determined that the business has incurred \$350,000 in eligible payroll, rent and utilities expenses. The principal balance of the loan is reduced to \$25,000 and amortized over 10 years at an interest rate not to exceed 4%. The first loan payment is due 6 to 12 months later. The program prohibits SBA from charging fees to the borrower, and Oak View will not charge any fees.