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Paycheck Protection Loan ("PPL") Program
Preliminary Summary Terms in the CARES ACT

This program covers both brokerages and agents! The only rules for initial qualifications are:

1. Was in operation on 2/15/2020, and
2. Has fewer than 500 employees

The maximum loan amount is the lesser of :

1. $10 million, or
2. 2.5x average monthly payroll expenses for the preceding 12 months. You'll get 2.5 months of payroll expenses. If the brokerage has been in operation for less than 12 months, the amount will be 2.5x the average monthly payroll expense for January and February of 2020.

Note – any salary/compensation amount greater than $100,000 annually for a single employee is excluded from this calculation.

Permitted uses of funds include:

1. Payroll costs
2. Costs related to the continuation of group health care benefits
3. Payments of interest (not principal) on debt that was in place before 2/15/2020
4. Rent
5. Utilities

Loan Terms:

4.0% maximum, 10 years maximum, unsecured, Personal guaranties are not required

There is no requirement that brokerages be unable to get financing elsewhere or "credit elsewhere test".

Principal and interest payments will be deferred for at least six months, though they may pre-pay the loan at any time without penalty.

Loan Forgiveness:

A portion of the loan used for eligible expenses will be forgiven. The amount forgiven will be the following expenses paid in the 8 weeks following the loan origination date:

1. Payroll costs
2. Interest (not principal) on a real estate loan that was in place before 2/15/2020
3. Rent payments
4. Utility payments

The amount of loan forgiveness will be reduced if the borrower lays off employees or significantly reduces salaries. The formula determining the amount of reduction is generally summarized below:

1. If the borrower has fewer full-time equivalent employees ("FTEs") on average, per pay period, between 2/15/2020 and 6/30/2020 compared to the same period in 2019, the loan forgiveness amount is decreased by the percentage of reduction in FTEs. The borrower can also choose to have their number of FTEs for 2/15/2020 – 6/30/2020 compared to 1/1/2020 – 2/29/2020, and that percentage change can instead be used to determine the amount of the reduction, if any.
2. If any employee's salary has been reduced by 25% or more, the dollar amount of the decrease in excess of 25% will be deducted from the loan forgiveness amount. This will not apply to any employee who earned more than $100,000 on an annualized basis for at least one pay period in 2019.
3. If the borrower has made layoffs or salary reductions but restores the FTE count and salary to the prior levels (per the formulas above) by 6/30/2020, there will be no reduction in the amount of loan forgiveness.

Borrowers must make the following "good faith certifications":

1. "that the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient"
2. "acknowledging that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments"
3. "that the eligible recipient does not have an application pending for a loan under this subsection for the same purpose and duplicative of amounts applied for or received under a covered loan"
4. "During the period beginning on February 15, 2020 and ending on December 31, 2020, that the eligible recipient has not received amounts under this subsection for the same purpose and duplicative of amounts applied for or received under a covered loan"

Businesses applying for PPL loans will need to submit:

1. Income statement for the prior twelve months specifically breaking out payroll expense on a monthly basis
2. Payroll tax filings reported to the IRS (Forms 1099-MISC)
3. Proof of existence before 2/15/2020 – such as articles of incorporation
4. Other documents as required by the SBA (to be determined)

In evaluating the eligibility of a borrower, a lender shall consider whether the company:

1. Was in operation on 2/15/2020; and
2. Had employees for whom the borrower paid salaries and payroll taxes; or
3. Paid independent contractors, as reported on a Form 1099-MISC.

Keep in mind, individual agents likely qualify for this program on their own.