

OAG ONE PAGER:

Paycheck Protection Program - Interim Final Rule Issued

(4/2/20)



OWNER
ADVISORY
GROUP

Hotel Advisory & Asset Management Services

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Update:

- US Dept. of Treasury released the [Interim Final Rule](#) for the Paycheck Protection Program (“PPP”) on 4/2/20
- Links to key documents – [Program Overview](#), [Borrower Fact Sheet](#), [Lender Fact Sheet](#), & [Application](#)

Key Terms:	Paycheck Protection Program per Interim Final Rule (“IFR”) <i>(Bold red font indicates changes from CARES Act provisions)</i>
Application Period	April 3, 2020 to June 30, 2020
Max Loan Amount	<p>\$10 Million. Determined by a payroll-based formula specified in the Act:</p> <ul style="list-style-type: none"> • Loan amount = (2.5 X average monthly qualifying payroll) + EIDL issued between 1/31/20 – 4/3/20 • Average monthly qualifying payroll = (i) Average monthly payroll less (ii) compensation amounts in excess of an annual salary of \$100,000 less (iii) any amounts paid to independent contractors. Amounts based on the last twelve months from loan origination.
Interest Rate	Fixed 1% (vs. 4.0% in CARES Act)
Maturity	2 years (vs. 10 years in CARES Act)
Payment deferral	1st 6 months (vs. 1st 6-12 months in CARES Act)
Designated Loan Uses	Within the first 8 weeks of funding, loan proceeds must be applied to payroll cost, mortgage interest, utilities, and rent (contracts must be in place before 2/15/20)
Loan Forgiveness	<p>Up to 100% of loan amount but at least 75% of the forgiven amount must have been used for payroll (only 25% of funds can be applied toward non-payroll cost expenses). You will owe money when your loan is due if you use the loan amount for anything other than for the designated loan uses over the 8 weeks after getting the loan. Also, you will owe money if you do not maintain your staff and payroll:</p> <ul style="list-style-type: none"> • Number of Staff: Loan forgiveness will be reduced if you decrease your full-time employee equivalent headcount (see note below) • Level of Payroll: Loan forgiveness will 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. <p>Note: Bullets 1 and 3 are stated in the borrower fact sheet but not stated in the IFR. Also, the bullets refer to <u>full-time employee vs. full-time equivalent employees</u>. The IFR only makes reference to full-time equivalent employees. We believe that this is a mistake in the borrower fact sheet.</p>
Requesting Loan Forgiveness	Must submit a request to the loan servicer with supporting documents verifying the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. The lender must make a decision on the forgiveness within 60 days.
Other features	<ul style="list-style-type: none"> • 100% guarantee by SBA • No collateral, personal guarantees, or SBA fees
Eligibility	<ul style="list-style-type: none"> • 500 or less employees whose principal place of residence is the US • NAICS code beginning with 72 • Small businesses, independent contractors, non-profits, and tribal small businesses • SBA’s affiliation rules as specifically waived in the Act but SBA intends to promptly issue additional guidance with regard to the applicability of affiliation rules

For more information and resources on the CARES Act, please visit our online [COVID-19 Hotel Resource Library](#).



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