

CUSTOMER ALERT

CORONAVIRUS (COVID-19)

IMPORTANT INFO ABOUT THE CARES ACT AND PAYCHECK PROTECTION PLAN

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law on Friday, March 27, 2020. The act includes a provision for U.S. Small Business Administration loans to businesses meeting certain qualifications with loan forgiveness and payment deferral relief options.

Among the options is the Paycheck Protection Program which involves loans originated through SBA 7(a) lenders, including Fidelity Bank. **However, before 7(a) lenders can make loans under the program, the SBA must interpret the program and issue rules, updates and a unique application with various client certifications.**

We understand this is a trying time for many businesses. Amidst the uncertainty, we are taking necessary steps to be prepared to assist with applications once the SBA releases full details of the Paycheck Protection Program. We have team members working around the clock to help as many businesses as possible access this program.

WHAT YOU NEED TO KNOW ABOUT THE PAYCHECK PROTECTION PROGRAM

For the period from February 15, 2020 to June 30, 2020 the SBA may provide 100% federally backed loans up to a maximum amount to eligible businesses to help pay operational costs. Subject to certain conditions, loan amounts are forgivable.

IS YOUR ORGANIZATION ELIGIBLE?

The Paycheck Protection Program is available to any business concern, non-profit organization, veterans' organization or Tribal business that meets the following eligibility requirements

1. A business must have 500 or fewer employees to participate (including full-time, part-time and those employed on other basis); or must meet the employee size standard established by the SBA for the industry in which the entity operates.
2. Special affiliation waivers are available for businesses in the hospitality and dining industries, franchisees holding a franchise listed on the SBA's registry of approved franchise agreements, or any business that receives assistance from a company licensed under a specific portion of the Small Business Investment Act.

Organization meeting the above requirements must comply with the following:

- The loan must be needed to continue operations during the COVID-19 emergency
- The funds must be used to retain workers and maintain payroll or make mortgage, lease, and utility payments
- The applicant must not have any other application pending under this program for the same purpose
- From February 15, 2020 through December 31, 2020, the applicant must not have received duplicative amounts for the same purposes through another loan under Section 7(a).

WHAT ARE ELIGIBLE USES OF LOAN PROCEEDS, IN ADDITION TO USES ALREADY ALLOWED UNDER THE SBA'S BUSINESS LOAN PROGRAM?

Loan proceeds may be used for:

- Payroll costs (certain exclusions apply)
- Costs of continued group health care benefits during periods of paid sick, medical or family leave
- Salaries, commissions or similar compensations
- Payments of interest on mortgage obligations or rent payments and utilities
- Interest on any other debt obligations incurred before the covered period

WHAT ARE THE SPECIAL FEATURES OF THIS LOAN?

- The loan is guaranteed by the SBA
- Ongoing servicing fees are waived
- Loans can be up to 2.5 x the borrower's average monthly payroll costs for preceding twelve months. Alternative loan amount calculations available for seasonal employer or entities that were not in operation between February 15, 2019 and June 30, 2019.
- Collateral or personal guarantees are not required

IS THERE THE POSSIBILITY OF DEBT FORGIVENESS?

The program provides for possible debt forgiveness of eligible business expenses. The below information is a summary of description of important aspects of the debt forgiveness process, but is not an exhaustive list of all requirements or details of the process. Further information regarding the debt forgiveness process will be available soon once SBA has finalized their procedures.

This process provides the opportunity for following types of indebtedness to be forgiven and not taxed in an amount not to exceed the principal amount of the loan and equal to the following costs incurred and payments made during the 8-week period beginning on the date the covered loan is funded:

- Payroll costs
- Interest payments on mortgages (not principal payments)
- Rent and utility payments

Forgiveness amounts will be reduced for any employee cuts or reductions in wages. To substantiate their fixed expenses, borrowers will have to provide source documentation for payroll expenses, rent and mortgage payments, and utility expenses as well as proof of payment for those expenses to the lender that is servicing the loan. If the expenses are approved, the SBA will purchase that portion of the debt from the bank and reduce the borrower's loan principal. Forgiveness may not be provided for expenses that do not qualify under one of the above listed expense categories.

WHAT ARE THE TERMS OF THE LOAN?

- Fixed interest rate of 1%
- All loan payments deferred for 6 months from the date of loan origination, however, interest will continue to accrue during this 6-month deferment
- Maximum loan terms of 2 years

This information is subject to change in accordance with SBA guidelines. For additional information please visit:

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>

For additional information, please fill out the Paycheck Protection Plan form on [fidelitybank.com](https://www.fidelitybank.com).