

Congratulations on Receiving a SBA Paycheck Protection Program (PPP) loan!

Now that you have your funds, we want to provide some guidelines regarding usage and forgiveness. Please note that the SBA continues to define the PPP process and that additional information will be forthcoming.

Purpose of the loan: As you begin to utilize funds from the Paycheck Protection Program, please keep in mind that the overarching goal of the program is to keep workers paid and employed.



How can I use PPP funds?

The PPP program has specific eligible uses*:

1. Payroll costs (at least 75% must be used for payroll to qualify for forgiveness);
2. Group health care benefits and insurance premiums;
3. Mortgage and other interest payments (but not principal payments);**
4. Rent payments;**
5. Utility payments** (electricity, gas, water, transportation, telephone or internet access);
6. Refinancing a SBA EIDL loan made between January 31, 2020 and April 3, 2020.

**Use of funds for unauthorized purposes may lead to additional liability such as charges for fraud.*

***To be eligible for forgiveness, interest, rent or utility payments must be on account of contracts or agreements dated before February 15, 2020 and actually paid during the eight-week period following disbursement of the loan proceeds.*



Can my PPP loan be forgiven?

The amount of loan forgiveness can be up to 100%, including accrued interest, as long as certain conditions are met:

1. Proceeds must be used for the eligible purposes described above;*
2. At least 75% of proceeds must be used for payroll;
3. You must maintain employee and compensation levels.

**Note that interest expense on business loans other than mortgages is allowed, but not forgivable.*



What do I need to document?

Loan forgiveness will be provided for the sum of eligible costs during the eight week period following loan closing. You will be asked to provide documentation including:

1. Verification of the number of full-time equivalent employees on payroll;
2. Dollar amount of payroll costs;
3. Dollar amount of eligible mortgage interest payments, rent payments, and utilities. Please keep in mind that no more than 25% of the loan proceeds may be used for these purposes to qualify for forgiveness.



How do I apply for forgiveness?

The SBA has not yet announced the process for forgiveness. We do know that you will need to provide documentation of payroll and other eligible expenses.

1. To document payroll: provide Form 941 and state quarterly wage unemployment insurance tax reporting forms or equivalent payroll processor records that best correspond to the 8-week covered period, with evidence of any retirement and health insurance contributions;
2. For self-employed: keep clear records of how the funds were spent. Keep a log, keep receipts, and provide bank statements and canceled checks;
3. For all businesses: clearly document payments for business mortgage interest, rent or utility expenses during the covered period, with receipts, canceled checks, or bank statements.

Please keep track of your progress and remember that at least 75% of the proceeds must be spent on payroll in order to qualify for forgiveness.



What factors will reduce forgiveness?

The amount of the loan eligible for forgiveness may be reduced.

1. Staffing level: loan forgiveness will be reduced if you decrease full-time equivalent headcount;
2. Payroll level: 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;
3. Salary level: loan forgiveness will be reduced for any portion used to pay an individual employee more than \$3,846.15 for any two week pay period (equivalent to \$100,000 on annualized basis);
4. Forgiveness will be reduced for any expense that is not expressly allowed and also for any interest expense on loans other than business mortgages;
5. Loan forgiveness will be reduced for proceeds used to pay Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA.

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.



What happens if my loan isn't forgiven?

PPP loans are subject to a 1% interest rate. The loans will have a 2-year maturity following disbursement with no payments required for the first six months. Any portion of the loan that is not forgiven within the first six months shall be required to be repaid over the remaining 18 months.

Final Rules

Please note that the Interim Final Rule for the Paycheck Protection Program clearly states that the SBA will issue additional guidance on loan forgiveness. The information provided here is a summary and you should carefully review all rules, regulations, and written guidance, while consulting with your legal, tax, and other advisors. For full details, please consult:

1. U.S. Department of the Treasury
2. U.S. Small Business Administration

The Paycheck Protection Program (PPP) is governed by the Small Business Administration (SBA), including guidelines and use of funds and is subject to change. Bangor Savings Bank and its representatives are unable to provide legal or tax advice, please consult an appropriate advisor regarding any legal or tax consequences related to a PPP loan. Additional information about the SBA's PPP program is available at their website at www.sba.gov.

We are here for you. If you have questions regarding your PPP loan, please feel free to reach out. We appreciate the trust you have placed in Bangor Savings Bank for your financing needs.

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