



FIRST STATE BANK

Overview of the SBA 7 (a) Loan Program and Summary of the CARES Act SBA Provisions

The First State Bank of Rice has requested to be an authorized lender with underwriting authority for the Paycheck Protection Program by the SBA. A benefit of this program is up to 100% of the loan is subject to tax free forgiveness if certain criteria is met by the borrower. There will be very strict rules from a documentation standpoint in order to qualify for forgiveness. We are waiting on SBA's issuance of those rules, and below are some of the preliminary guidelines that we have been provided:

- *The borrower must have less than 500 employees. (There are exceptions given your industry code)
- *The maximum loan amount will be 250% of your average monthly payroll. The portion of annual salaries that exceed \$100,000 will be excluded. 1099 employees will be included.
- * Non-Profits are eligible.
- * The borrower must certify that the loan is necessary to support ongoing operations due to the COVID-19 economic conditions.
- * Funds may be used to retain workers, make mortgage payments, lease payments and utility payments.
- *The term will be for a minimum of 6 months with principal and interest due at maturity.
- * The maximum interest rate is 4%.
- * The amount of forgiveness will be based upon the portion of the loan used in the 8 weeks following the origination of the loan for payroll costs, payment of interest on debt incurred prior to 2-15-2020, rent and utilities.
- * The amount of forgiveness will be reduced by the percentage of full-time employees that were eliminated during the 8-week period.
- * Salaries may be reduced up to 25% without penalty.
- * Any loan that is not fully forgiven maybe amortized over a maximum of 10 years at no more than 4% interest.
- * Since this is a government backed loan, documentation will be critical.
- * To promote social distancing, we would prefer that documentation be sent electronically.

Independent Banking Since 1928

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The guidelines are various sources and subject to change. Please begin gathering information together for your request and we will follow up as soon as the rules are issued.

Stay safe,

Michael J. Montgomery
President & CEO

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