

# CACHE VALLEY BANK



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August 12, 2020

Dear PPP Borrower,

Cache Valley Bank wants to help you and your business obtain all the benefits of the Paycheck Protection Program—including 100% forgiveness of your PPP loan. In an effort to help you navigate the forgiveness process, Cache Valley Bank is monitoring all of the governmental actions and proposals that surround the Paycheck Protection Program. Congress has been considering a number of amendments, most of which are part of the legislation proposed by Marco Rubio and Susan Collins. There appears to be bipartisan agreement about these proposals, but they are part of a larger struggle between Republicans and Democrats over a number of different issues. At this point, the legislation is in limbo because of this conflict. Nevertheless, I will explain the provisions that will modify the PPP program assuming Congress and the President do arrive at a settlement as to these other issues.

This proposed Act would affect our current PPP customers in three ways. First, the Act would change the process for PPP forgiveness. Second, the Act would establish a round of “Second Draw” PPP loans for small businesses that have a 35% drop in gross revenue. Lastly, the proposed legislation would also authorize an additional \$100 billion in SBA 7(a) long-term, low-cost loans to recovery sector businesses, which include seasonal businesses and businesses located in low-income census tracts that meet the applicable SBA revenue size standard, have no more than 500 employees, and demonstrate at least a 50 percent reduction in gross revenues.

I encourage all PPP customers to review this information and make preparations as necessary to fulfill these requirements and/or utilize these funds in the event this Act should be passed into law.

## **(1) Key Provisions Affecting PPP Forgiveness:**

- Simplifies the forgiveness application process for smaller loans.
  - For loans under \$150,000. Borrowers are not required to submit to the lender documentation required by section 1106(e) of the CARES Act, but must attest to compliance with Paycheck Protection Program loan requirements and retain the relevant records for three years. The Administrator may review and audit these loans to ensure against fraud.
  - For loans between \$150,000 and \$2 million. Borrowers are not required to submit to the lender documentation required by section 1106(e) of the CARES Act, but must complete the certification required by that section and retain relevant records and worksheets for three years. After lenders review the application for completeness, they must submit the application to the Administrator. The Administrator may review and audit these loans for fraud.

**(2) PPP Second Draw Loans:**

- Provides \$190 billion of committed and appropriated funds to support PPP and PPP Second Draw Loans.
- Defines eligibility for PPP Second Draw loans as small businesses that meet the applicable SBA revenue size standard, have no more than 300 employees, and demonstrate at least a 35 percent reduction in gross revenues.
- Includes a \$25 billion set-aside for entities with 10 or fewer employees and a \$10 billion set-aside for loans made by community lenders.
- The maximum loan size would equal 2.5 times average total monthly payroll costs, up to \$2 million. Businesses that received a PPP loan may not receive another PPP loan that aggregates to more than \$10 million.
- The 60/40 cost allocation for payroll and non-payroll costs to receive full PPP forgiveness continues to apply.

**(3) 7(a) Loans to Recovery Sector Businesses:**

- Authorizes \$100 billion in long-term, low-cost loans to recovery sector businesses, which include seasonal businesses and businesses located in low-income census tracts that meet the applicable SBA revenue size standard, have no more than 500 employees, and demonstrate at least a 50 percent reduction in gross revenues.
- Loan amounts would be available at up to twice the borrower's annual revenues, not to exceed \$10 million. The loan would have a 100% SBA guarantee and maturity of up to 20 years with a one percent fixed interest rate to the borrower.
- Waives the SBA's credit elsewhere test and allows the borrower to defer loan and interest payments for the first 2 years.
- Allowable loan uses include working capital, acquisition of fixed assets, and refinancing existing indebtedness.

Given the proposed simplification of the forgiveness application for borrowers with loans under \$150,000, we recommend that those borrowers wait to see if the legislation passes before they submit their applications. If your loan is over \$150,000 and you cannot wait for the legislation to pass, we have prepared a second document (attached in the email) to guide you through the current forgiveness process. Please feel free to reach out to your agent or loan officer with any questions.

Sincerely,  
Cache Valley Bank

/s/ N. George Daines  
*CEO & Chair*