

CACHE VALLEY BANK

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Re: Paycheck Protection Program Loans

Dear Borrower & Agents:

As indicated in our previous email, Cache Valley Bank is anxious to help all the PPP Borrowers obtain all the available benefits of the Paycheck Protection Program—including 100% forgiveness of your PPP loan. On June 16, 2020, the SBA and Department of the Treasury (“**SBA**”) issued much needed guidance regarding the forgiveness application process. That guidance was further updated last week. This email will provide you with an overview of the newly issued SBA guidance along with the different forgiveness application options available to you. It also explains how Cache Valley Bank is prepared to assist you.

Rules for 8 Week or 24 Week Period. The recently passed Payroll Protection Program Flexibility Act extended the covered period for forgiveness from 8 weeks to 24 weeks. To implement this 24-week extension, the SBA has clarified that borrowers who applied for PPP loans before June 5, 2020, will have the choice of utilizing an 8 or 24-week covered period. For borrowers who applied for a PPP loan after June 5, 2020, the 24-week covered period will be the only available option. The 24-week forgiveness extension provides greater simplicity to the loan forgiveness process by allowing you the choice of expending the entirety of the your PPP loan amount on payroll costs thereby avoiding the complexity of determining what percentage of your PPP loan was spent on mortgage interest, rent, or utilities.

Commencement of Time Period. Under both the 8-week option and the 24-week option you are given the choice of whether the covered period begins on the date your loan was dispersed (“Covered Period”), or the date of the first pay period following your PPP loan disbursement date (“Alternative Covered Period”). The Alternative Covered Period potentially allows you to expend more of your PPP loan amount on payroll costs by correlating the start date of the covered period with the next payday on which you pay your employees.

Date for Forgiveness Application. You may apply for loan forgiveness before the end of the Covered Period or Alternative Covered Period if you have used all of the loan proceeds for which you are requesting forgiveness. As soon as you have accumulated covered expenses that exceed your loan amount, you are free to file the forgiveness application.

Application Alternatives. Under its new guidance, the SBA provides two options for applying for forgiveness of your PPP loan—the EZ Application or the regular Forgiveness Application. Cache Valley Bank believes that for borrowers that meet the requirements, the EZ Application will be best suited for those using the 24-week option. The following is an explanation of the two alternatives:

(1) EZ Application Alternative. If you meet certain criteria, you may take advantage of the Form 3508EZ (“**EZ Application**”). The EZ Application streamlines the application process for borrowers who:

- a) are self-employed and who did not have any employee; OR
- b) did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the number or hours of their employees; OR
- c) Experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%.

If you fit into **one** of these three categories, you may apply for forgiveness using the EZ Application which requires fewer calculations and less documentation. The calculations under the EZ Application are targeted at whether you spent at least 60% of your PPP loan amount on payroll cost—if so, you will be 100% forgiven of your PPP loan. Again, this should not be an issue under the 24-week option. More details and instructions about the EZ Application are available at the links below:

[EZ Application link here](#)

[EZ Application instructions here](#)

(2) Forgiveness Application. If you do not meet the criteria for the EZ Application, you will be required to submit the revised Loan Forgiveness Application (“**Forgiveness Application**”). The Forgiveness Application includes all of the requirements of the EZ Application with the additional requirements of completing the PPP Schedule A and the PPP Schedule A Worksheet, both of which are available at the PPP website. These additional documents are designed to determine what portion—if any—your PPP forgiveness amount should be reduced because of a reduction in employees or a reduction in the wages/salary of

your employees. There are potential safe harbors under this application for you if you were required to reduce the number of employees or employee's salaries during the covered period—your loan officer can help you better understand whether these safe harbor provisions may apply to your loan. More details and instructions about the regular Application for Forgiveness are available at the links below:

[Regular Application link here](#)

[Regular Application Instructions link here](#)

Required Certifications. No matter which forgiveness application you submit, you will be required to make a number of certifications including the certification that your PPP funds were used to pay for eligible forgiveness costs (payroll, mortgage interest, rent/lease, and utilities).

Reduction for EIDL Loan Advance (if applicable). It is also important to note that with both the EZ Application and the Forgiveness Application, if you received an Economic Injury Disaster Loan Advance (“EIDL Advance), your forgiveness portion will be reduced by the amount of any EIDL Advance you received. Note, EIDL Advances came from the SBA, are less than \$10,000, and do not have to be repaid to the SBA. EIDL Advances are different than EIDL Loans. EIDL Loans are true loans that have to be repaid directly to the SBA. EIDL Loans do not affect your forgiveness amount, only the EIDL Advance.

Process for Submission of Forgiveness Applications. The Bank is preparing to provide you with a link through which to submit your forgiveness application to Cache Valley Bank. This system will also allow you to upload the required supporting documents. The link will give you step-by-step instructions on how to submit your forgiveness application and supporting documentation. We ask that you do not begin submitting applications until the link has been provided. Cache Valley Bank has retained a number of PPP specialists to assist its loan officers in working with PPP borrowers to complete the forgiveness process. That effort will begin within the next week.

Deadline for Filing Forgiveness Applications. The deadline for submission of forgiveness applications is ten months after the end of your loan forgiveness covered period. For example, if the last day of the 24-week period for a borrower is November 1, 2020, the forgiveness application would need to be filed by September 1, 2021. This should provide ample time to file your forgiveness application. The payments for any portion of the loan deemed ineligible for forgiveness will not be required until after the forgiveness application is submitted and you receive notice of such determination.

Answers to Your Questions. If you have any questions about the Payroll Protection Program please review the SBA's answers to Frequently Asked Questions at this link:

[SBA FAQ link](#)

If that does not provide an answer to your question, please email your questions to your loan officer or agent identified in the email. We will try and answer your question as soon as possible.

We look forward to helping you through the forgiveness process. We will be in touch with you as additional information becomes available.

We appreciate the opportunity to serve your needs.

Sincerely,
Cache Valley Bank

/s/ N. George Daines
CEO & Chair