

CAREES ACT

SMALL BUSINESS ADMINISTRATION LENDING Paycheck Protection Program (PPP)

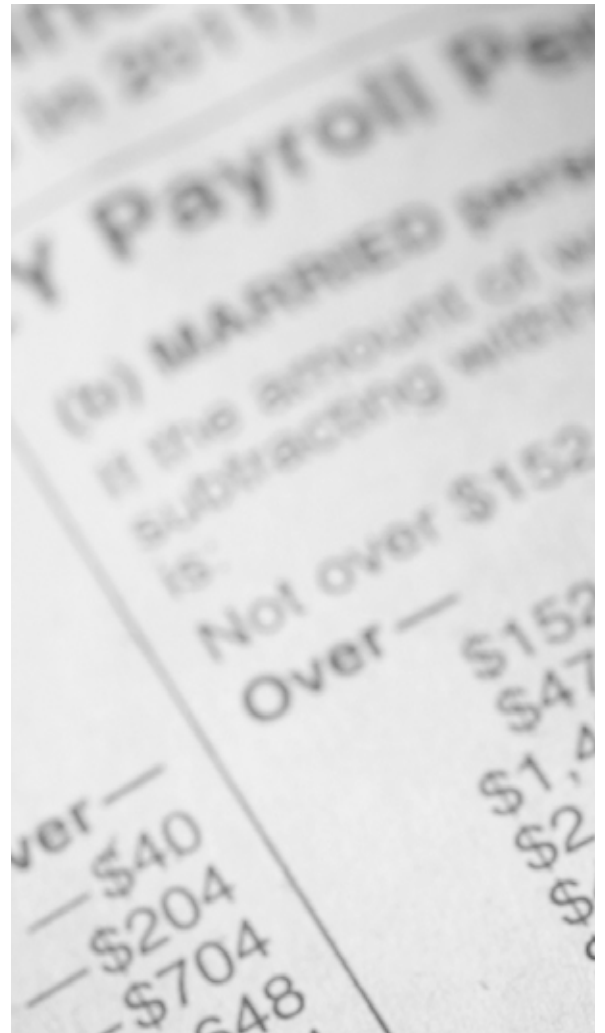
HOW IS THE PAYCHECK PROTECTION ACT IMPACTING YOUR BANK?

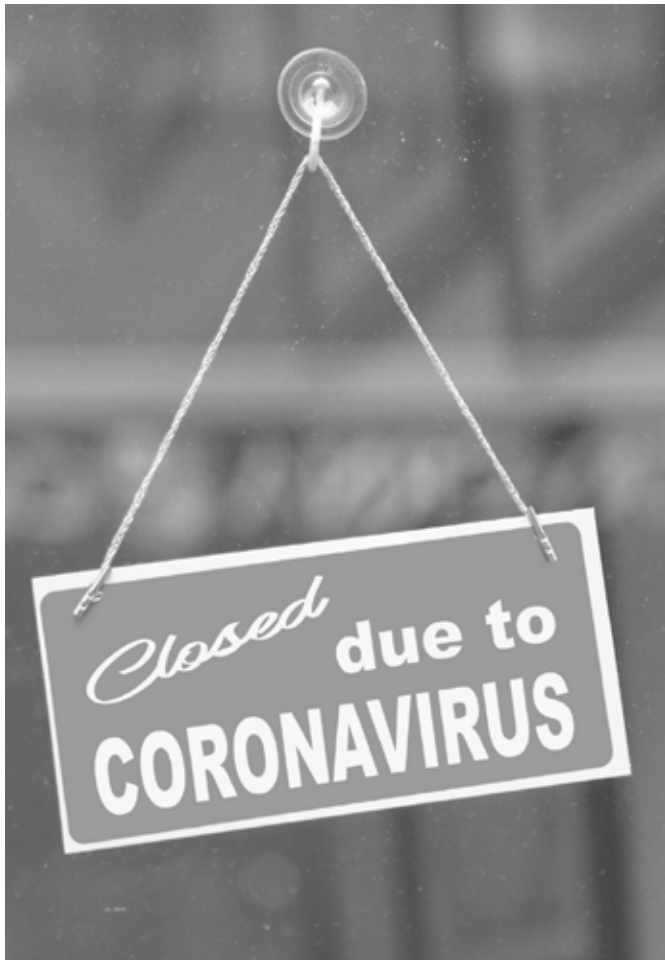
Overview

The CARES Act was signed into law on March 27, and part of the Act is intended to provide immediate financial relief to small businesses who are suffering as a result of the global COVID-19 pandemic. Below is a summary of the Act and implications for banks and their customers.

Key Components of the Paycheck Protection Act

- The 2020 CARES act allocates **\$349 billion** through the SBA 7(a) loan program to small businesses, with a 100 percent approval guarantee through December 31, 2020
- All small businesses with **500 or fewer employees**, including sole proprietors, independent contractors, and self-employed persons are eligible borrowers
- The maximum 7(a) loan amount that any small business can access is **\$10 million**
- The loan can be used to cover **payroll support, employee salaries, mortgage payments, rent, utilities, and other debt obligations**
- By **keeping employee payroll levels constant**, the government will forgive the full loan amount
- You can defer payments for up to 6 months
- The covered loan period **begins on February 15, 2020, and lasts until June 30, 2020**
- Collateral and personal guarantee requirements are waived for borrowers, and there is a cap of one percent on interest rates **with no fees for applicants**
- Lenders fees from the SBA are **5 percent, 3 percent and 1 percent**, based on the loan amount
- Authority has been delegated to SBA lenders, and **underwriting standards have been relaxed**





Implications to SBA Lenders and their Customers

- As of 2018, 30.2 million small businesses were operating in the United States
- There are currently only 1,800 qualified lenders in the SBA 7(a) program
- This Act will significantly increase SBA loan requests and processing volumes
- There will be an immediate and substantial burden placed on existing lenders, their systems, and processes to accommodate this new Act
- There will continue to be workload challenges during the next few months with increased in-bound and out-bound call volumes and application/documentation follow-up issues
- Education will be required for applicants and staff on the program-specific eligibility requirements and loan forgiveness criteria
- The urgency to get cash into the hands of small businesses will strain all existing processes and systems
- On April 6, the Federal Reserve announced a program to finance these PPP loans, freeing up banking capital to make additional loans.

SOLUTION: CAPCO IS READY TO HELP

Capco is partnering with Unqork, a technology firm that has created a tool for PPP loan applications and underwriting. Unqork's first version has been built, and they expect to have the production version ready within two weeks.

Capco has demonstrated expertise and experience assisting clients with ramp-up plans – including staffing, processes, workflow, and operational rules, and workflow. We have a team of deep subject matter experts who understand the end-to-end loan origination and servicing lifecycle, including for SBA programs. We can operationalize loan forbearance and forgiveness tracking and execution.

Finally, Capco can provide resources to help with the surge in calls and applications through a staff augmentation/distributed workforce model.

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