

ADVISORY MEMO TO GROWERS



TO: Hoosier Farmers
FROM: ICGA & ISA
DATE: 4/9/2020
RE: Payroll Protection Program Loan

This is an advisory information memo to Hoosier farmers to ensure that everyone who is eligible for a Payroll Protection Program Loan knows about the opportunity and knows where to obtain the loan. Congress passed and the President signed the CARES Act on March 27, 2020. This Act is a massive stimulus package to assist individuals and businesses with financial aid and loans to cover financial gaps during the COVID-19 mitigation efforts and immediate economic recession.

One of the relief programs is the Payroll Protection Program, which is being administered by the Small Business Administration (SBA). Farmers with 500 or fewer employees whose principal place of residence is in the United States and fit within the revenue size are eligible. The program dollars are being processed through private banks, credit unions, and other lenders. Please check with your lender to see if they signed up through SBA to process Payroll Protection Program (PPP) loans. The USDA has provided a Question & Answer guide on their coronavirus website under "Paycheck Protection Program" section: <https://www.usda.gov/coronavirus>

This is the SBA's summary of the loan program:

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

This loan has a maturity of 2 years and an interest rate of 1%.

If your lender is not processing PPP loans, you can check with other lenders. We know that the following Indiana Corn & Soybean partners are processing PPP loans for farmers and agribusinesses: First Farmers Bank & Trust, Hoosier Heartland State Bank, State Bank of Lizton, and Farm Credit (current Farm Credit customers only). **This list does not represent every lender in Indiana who works with farmers and is processing PPP loans, so please shop around and find the best lender for you.**

Additionally, this program rolled out very quickly and the SBA is continuously updating its system and the guidance that it gives to lenders. Please be patient with lenders while they figure out the process. Lenders are working with the SBA to determine how best to calculate the payroll for a farmer who takes cash draws as needed and does not use a formal W-2 payroll to pay himself or his immediate family. Please do NOT assume that because you do not treat yourself or your immediate family as W-2 employees of the farm that you are ineligible for the program, AS THAT IS NOT THE CASE. Lenders are still working out the details on how to best calculate non-traditional farm payroll, but it is important that farmers timely file their loan applications rather than wait for the details to be ironed out. If you find that you are not eligible for a PPP loan, consult with your accountant or business advisor to determine if you qualify for other programs.

If you have questions, please contact your local lender or the USDA Coronavirus website at <https://www.usda.gov/coronavirus>.