

Important Information

Paycheck Protection Program Loan:
Next Steps



First Northern Bank would like to guide you through the next stages of the Paycheck Protection Program loan process:
Funding & Forgiveness.

FUNDING – REPAYMENT TERMS AND PROVISIONS:

All loans have the same terms with no customization by the lender allowed. The interest rate is 1.00% and the loan term will be two years. The initial payment will be deferred for six months with interest accruing during that time. There are no prepayment penalties or fees for borrowers who wish to accelerate payments on the loan. We will not charge you, the borrower, any loan fees on this loan. Complete repayment terms are pending final determination by the Treasury and SBA. If proceeds are used for fraudulent purposes, the U.S. Government will pursue criminal charges against you.

FUNDING – USE OF FUNDS:

The loan proceeds may only be used for specific overhead expenses which include:

1. Payroll costs (as defined in the loan origination process);
2. Costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave and insurance premiums;
3. Interest (not principal) payments on mortgages incurred prior to February 15, 2020;
4. Rent under lease obligations in force prior to February 15, 2020;
5. Utility payments for which services began prior to February 15, 2020; and
6. Refinancing of an SBA IEDL loan made between January 31, 2020 and April 3, 2020.

Borrowers should be prepared to carefully document and track all uses of the loan proceeds. This will include receipts for loan payments on business debt and mortgages verifying the amount of payment including a breakdown of principal and interest, copies of lease agreements showing the date of origination and rental payment requirement and copies of utility bills showing that the service was for the location of the business. **Please note that at least 75% of the PPP loan proceeds must be used for payroll costs.**

FORGIVENESS – HOW DEFINED:

Please note that at least 75% of the PPP loan proceeds must be used for payroll costs in order

to qualify for forgiveness of up to the full principal amount of the loan borrowed under the program. The amount of the loan forgiveness will equal the sum over an eight-week period beginning from the funding of the loan:

1. Payroll costs (as defined in the loan origination process);
2. Interest (not principal) on any mortgage debts that were incurred prior to February 15, 2020;
3. Rent based on lease agreements in force before February 15, 2020; and
4. Utilities, including electricity, gas, water, transportation, telephone and internet access.

Not more than 25% of the forgiven amount may be for non-payroll costs (items, 2, 3 and 4).

Borrowers should be prepared to fully track and document these expenses in order to receive the loan forgiveness benefit. Please refer to “Forgiveness – Required Documentation” information in this guide.

FORGIVENESS – CALCULATING:

We are advising borrowers to prepare now for the calculation of their forgiveness so that they can properly prepare for the documentation required. To determine the amount of forgiveness Borrowers should forecast their projected expenses in the acceptable categories over the eight weeks following funding and be prepared for the need to report certain non-payroll expenses at less than actual amounts in order to be within the requirements of the program. The calculation of forgiveness is:

- + Payroll Costs (must be at least 75% of total forgiveness calculation)
- + Interest (not principal) payments on mortgages incurred prior to February 15, 2020
- + Rent under lease obligations in force prior to February 15, 2020
- + Utility payments for which services began prior to February 15, 2020
- = Total Forgiveness Amount (up to outstanding loan amount)

We strongly recommend using the loan calculation tool attached to this email to forecast your expenses that qualify for forgiveness.

FORGIVENESS – IMPORTANT INFORMATION:

The purpose of the loan forgiveness structure is to encourage you, the employer, to keep everyone employed. The information provided is based solely upon the Interim Final Rule issued by the SBA on April 2, 2020. **In that document it states that SBA will be issuing additional guidance on loan forgiveness.** This may include additional requirements including payroll count and not lowering salaries to employees who earn under \$100,000 per year. We will provide updates on the loan forgiveness structure through our website as soon as they become available. First Northern Bank will only process requests for loan forgiveness with complete documentation satisfactory to First Northern Bank and in

conformance with the SBA guidelines.

FORGIVENESS – REQUIRED DOCUMENTATION:

The borrower will have to show evidence that they actually spent money on the things that are eligible for loan forgiveness. Exactly how this will be done is still to be determined but it is reasonable to expect that this will involve a follow-up application to First Northern Bank for loan forgiveness which, at minimum, includes the following:

- A. Documentation verifying the number of employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments and covered utility payments during the 8-week period following the funding of the loan;
- B. Documentation may include reports from your payroll processor, copies of cancelled checks with corresponding bank statements, accounting reports, etc., verifying payments on mortgage, rent and utility payments;
- C. Copies of mortgage statements for payments made which verifies the amount of payment including a breakdown between principal and interest;
- D. Copies of lease agreements showing the origination date of the lease and payment terms; and
- E. A certification from an officer or owner of the borrower that the information being submitted is true and that the amount for which forgiveness is being requested was used to retain employees and make business payments on mortgage, rent and utility payments.

Borrowers should prepare now to identify and retain these documents to justify loan forgiveness within the terms of the loan agreement.

ADJUSTMENT TO AMORTIZATION SCHEDULE:

Currently, your Note provides that your monthly payments (which commence after the deferral period) are based on the full amount of your PPP loan. First Northern Bank has adjusted your amortization schedule so that the amount of your monthly payment of principal and interest on your PPP loan will be recalculated to reflect any portion of your PPP loan that may be forgiven in order to fully amortize the principal over the remaining term of the Note.

OTHER INFORMATION – OUR MESSAGE TO YOU:

We recognize that these are unprecedented times which are highly stressful for everyone. As your local community bank, it is our intention to provide everything that we reasonably can to guide you and assist you through the current situation. Please understand that many aspects of this program, and other government programs, are still in development and we are using all of our resources to remain informed as a resource to you. There is a lot of information being floated around in the media and on social media pages which can be deceptive or untrue. Always consider the source of the information you are depending on

and feel free to reach out to us if you have any questions or concerns. **We also encourage you to check our website for updated information...we will be adding information as it becomes available.** Small business is our business and we are here to do everything we can to help you through this current situation.

DISCLAIMER:

The information contained in this document is based on the most recent and reliable information available to us and First Northern Bank makes no representation as to its accuracy or dependability. First Northern Bank makes no assurance to Applicants that they will receive forgiveness under this program.



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