



Dear Customer:

We hope you are staying healthy during this difficult time.

Farmers Bank is grateful for the opportunity to provide SBA guaranteed Paycheck Protection “PPP” Loans to help our business customers retain their workforce and be in a better position to weather the current economic environment.

As a recipient of a PPP loan, we wanted to take a moment to remind you of the importance of documenting how the proceeds of the loan are spent. This is vitally important in order to put your business in the best position to get some or potentially all of the loan forgiven. Please remember the following:

At least 75% of the loan proceeds must be used for payroll costs. The remainder, up to 25% of the loan amount can be used to pay rent, mortgage interest (not principal) and utilities. Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following the funding of the PPP loan must be provided to the lender in order to be considered for forgiveness.

We expect additional guidance to be issued by the SBA concerning the process of determining loan forgiveness and what documentation will be required. In the absence of this guidance, we encourage PPP borrowers to very thoroughly document every expense covered by the proceeds of the loan.

Remember, Farmers Bank cannot guarantee that all or any portion of the PPP loan will be forgiven. If any amount of the PPP loan remains unpaid after 6 months, you are obligated to make regular monthly payments over the following 18 months in order to pay the loan in full within 2 years.

We also want to draw your attention to a recently released provision regarding PPP eligibility. Due to the Program’s swift implementation, confusion may have arisen in regard to eligibility requirements. Section 1102 of the CARES Act required that you as a borrower on your Application Form certify that “current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.”

Numerous Interim Final Rules have been released since the start of the PPP on April 3, 2020 providing additional eligibility clarifications. On April 24, 2020, the SBA released its Third PPP Interim Final Rule asking for borrowers to seriously consider their certification that your loan was “necessary” to support ongoing operations. Any companies with alternative access to capital are being asked to justify their determination that the loan was in fact necessary.

The updated guidance states “Any borrower that applied for a PPP loan prior to the issuance of this regulation and repays the loan in full by May 7, 2020 will be deemed by SBA to have made the required certification in good faith. The Administrator, in consultation with the Secretary, determined that this safe harbor is necessary and appropriate to ensure that borrowers promptly repay PPP loan funds that the borrower obtained based on a misunderstanding or misapplication of the required certification standard.”

In order to protect you as our customer, Farmers Bank is asking all PPP borrowers to review your eligibility certification to determine how this recently issued SBA guidance could impact your organization. Additional assistance may be sought with your legal counsel or tax professional.

Please note also that the SBA has announced it will be conducting a full audit of PPP loans made in amounts over \$2 million to ensure the borrower’s legitimate economic need before those loans can be forgiven. Finally, please be aware that the names of businesses participating in this program, and the amounts of their loans may be made public under the

Freedom of Information Act. The Federal Reserve has announced that it will disclose monthly the borrower names and loan amounts for PPP loans pledged as collateral for the liquidity facility established by the Federal Reserve under the CARES Act. Farmers Bank may elect to participate in this facility.

We know many businesses have been hurt by the COVID-19 pandemic and that the overwhelming majority of businesses have legitimate need for the PPP loan. If, given the information shared here you would like to repay your loan in full by May 7, 2020, please contact Farmers Bank as soon as possible for assistance.

We encourage you to check [www.sba.gov](http://www.sba.gov) for updates on the PPP loan program and loan forgiveness.

Thank you for the opportunity to assist your business.

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