

PAYCHECK PROTECTION PROGRAM FORGIVENESS OVERVIEW & NEXT STEPS

JULY 14, 2020

WEBINAR WILL BEGIN SHORTLY

LOGISTICS

- Audience members are in listen-only mode (you are muted)
- If you joined by phone, please select Telephone and enter the Audio PIN in the Audio panel to reduce potential echoing
- A copy of the presentation has been emailed to all registrants; if you did not receive it, you may download the presentation from the right-hand menu
- **Please enter your questions in the Questions panel, and we will try to answer your questions during Q&A**

AGENDA



- PPP Overview
 - Paycheck Protection Program
 - PPP Loans to Date
 - Recent Program Updates
 - Potential Additional Updates

- PPP Loan Forgiveness Overview
 - Current Rules & Tips
 - Forgiveness Application Tips
 - Next Steps

- Q&A

WEBINAR HOSTS AND PANELISTS



Daryl Newell
President, Seaway Division



Tracy Ward
Director, SBA 504 Loan Program



Claire Castleman
Small Business Support Program Associate



Jenny Lautzenheiser
Senior Analyst

PAYCHECK PROTECTION PROGRAM

Creating and Protecting Ownership and Economic Opportunity • www.self-help.org



PPP OVERVIEW

- Paycheck Protection Program
- PPP Loans to Date
- Recent Program Updates
- Potential Additional Updates



Daryl Newell
President, Seaway Division

PPP OVERVIEW

- **CARES Act** (March 27, 2020): created **Paycheck Protection Program**
- **PPP Flexibility Act** (June 5, 2020): made PPP rules more flexible
- Low-cost loan to support small businesses, nonprofits & their employees – **forgivable** if requirements are met
- Total PPP Loans – All SBA Lenders (through June 30)
 - 4.89 million borrowers for \$521.5 billion

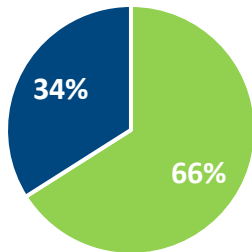
PPP LOANS TO DATE

Self-Help PPP Loans (through June 30)

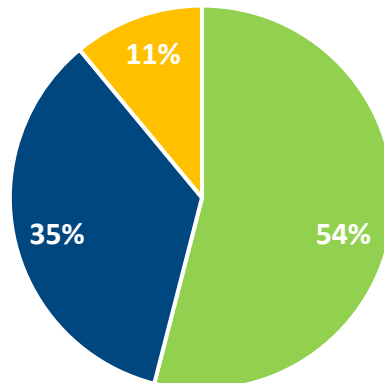
- \$176 million PPP loans
- 1,596 small businesses & nonprofits
- Supporting approximately 19,000 jobs

Organizations Led by People of Color

Type of Organization

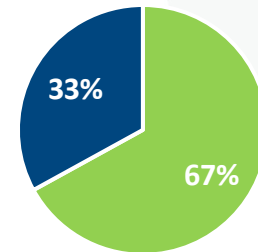


- Nonprofit
- For profit



- POC
- White
- ?

Loan Size



- Loans <\$50,000
- Loans >\$50,000

RECENT PPP UPDATES

PPP Flexibility Act & PPP Extension Act Updates include:

Provision	Original CARES Act / SBA Guidance	Flexibility & Extension Act Updates
Covered Period (use of funds)	8 weeks	24 weeks (or by December 31, 2020, if earlier)
Minimum % for Payroll Costs	75%	60%
Maintain Staff	FTE exceptions; rehire on or before June 30, 2020	Add'l FTE exceptions; rehire on or before December 31, 2020
Loan Payment Deferral	6 months	Until forgiveness determination
Forgiveness Request Deadline	None	10 months from Covered Period
Unforgiven Amount Loan Term	2 years	5 years (for loans approved by SBA on or after June 5)
Deferral of Payroll Taxes	Not permitted for PPP borrowers	Permitted for PPP borrowers
Forgiveness Application	11-page form	Added EZ version
Last Day SBA may Approve New PPP Loans	June 30, 2020	August 8, 2020

PAYCHECK PROTECTION PROGRAM

POTENTIAL ADDITIONAL UPDATES

Congress/SBA currently considering:

- 1: More Streamlined Forgiveness Process for Small Loans
 - 2: Additional focus on under-served communities
 - 3: Possibility of a 2nd PPP loan
 - 4: Other programs to support small businesses & jobs
- **TIP:** Individual borrower stories are powerful – consider reaching out to your Congressional representatives to let them know what parts of PPP are working well and what changes are needed for you & your employees

PPP LOAN FORGIVENESS OVERVIEW

- Current Rules & Tips
- Forgiveness Application Tips
- Next Steps



Tracy Ward

Director, SBA 504 Loan Program

FORGIVENESS – CURRENT RULES & TIPS

What is required for forgiveness?

1: Use funds for **eligible purposes**

- Payroll Costs & eligible Non-Payroll Costs

2: Use funds during the **required time period**

- 8 weeks or 24 weeks

3: **Maintain staff** at pre-COVID levels or document exceptions

- Maintain each employee's wages
- Maintain total average FTEs

FORGIVENESS: 1-ELIGIBLE PURPOSES

Payroll Costs (same definition as when you applied)

- Salary, wage, commission, cash tip, similar compensation
 - Exclude employees whose principal place of residence is outside U.S.
 - Exclude compensation in excess of \$100,000 annualized per employee
- Vacation, parental, family, medical, or sick leave
 - Exclude qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act
- Employer-paid group health care benefits
- Employer-paid employee retirement benefits
- Employer-paid state/local employee compensation taxes
 - Exclude employer-paid federal employment taxes



- **TIP:** Payroll Costs must be at least **60%** of forgiveness request

FORGIVENESS: 1-ELIGIBLE PURPOSES

Payroll Costs

- Okay to pay employees even if no work
- Okay to pay hazard pay, incentives, bonuses, COLA
 - Allowed for employees (provided \leq \$100,000 annualized; *ie*, no employee may receive more than \$1,923/week)
 - Not allowed for owners
- **TIP:** For borrowers with no employees (other than yourself), easiest 100% forgivable use of PPP funds is your own pay
- **TIP:** No double-dipping:
 - Cannot get both PPP & unemployment
 - Nonprofits should not use PPP for payroll that is paid by other funding

FORGIVENESS: 1-ELIGIBLE PURPOSES

Eligible Non-Payroll Costs

- **Interest payments on mortgages** on real or personal property
 - Exclude any payment of principal
 - Exclude any prepayment
- Business **rent or lease payments** for real or personal property
- Business **utility payments** for a service for the distribution of electricity, gas, water, transportation, telephone, and internet access



- **TIP:** Non-Payroll Costs must not be more than **40%** of forgiveness request

FORGIVENESS: 1-ELIGIBLE PURPOSES

TIP: Eligible Non-Payroll Costs are expenses that would typically be included as business expenses on your tax return

7		Gross income. Add lines 5 and 6 ▶		7			
Part II Expenses. Enter expenses for business use of your home only on line 30.							
8	Advertising	8		18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions)	9		19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest (see instructions):			24	Travel and meals:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	
b	Other	16b		b	Deductible meals (see instructions)	24b	
17	Legal and professional services	17		25	Utilities	25	
18	Legal and professional services	18		26	Wages (see employment credit)	26	
19	Legal and professional services	19		27a	Other expenses (from line 48)	27a	
20	Legal and professional services	20		b	Reserved for future use	27b	
21	Legal and professional services	21		28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶	28	
22	Legal and professional services	22		29	Tentative profit or (loss). Subtract line 28 from line 7	29	
23	Legal and professional services	23		30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
24	Legal and professional services	24		31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.	31	

FORGIVENESS: 2-REQUIRED TIME PERIOD

- Covered Period to use PPP Funds:
 - Loans approved by SBA prior to June 5 may choose either **8 weeks** (56 days) or **24 weeks** (168 days)
 - Loans approved by SBA on or after June 5 have **24 weeks** (168 days)
 - If PPP funds received April 20, April 20 is Day 1
- Optional Alternative Payroll Covered Period (APCP):
 - Aligns your Covered Period with your payroll cycle
 - If PPP funds received April 20, but next payroll cycle starts April 26, then April 26 is APCP Day 1
 - Only allowed if biweekly or more frequent payroll cycle
 - Can only use APCP for Payroll Costs
- **TIP:** You do not have to wait until the end of your Covered Period /APCP to apply for forgiveness

FORGIVENESS: 2-REQUIRED TIME PERIOD

- **Should you choose 8-week or 24-week Covered Period?**
 - Loans approved before June 5 may choose
- **It depends!** You may want to choose **24 weeks** if:
 - You can't spend at least 60% of PPP funds on Payroll Costs & remainder on eligible Non-Payroll Costs in 8 weeks
 - **Why?** Using less than 60% for Payroll Costs will reduce forgiveness
 - You are the only employee
 - **Why?** You may not pay yourself more (or at a faster rate) than in 2019
 - If 8-week period, you cannot use your full PPP loan to pay yourself (at least 25% must be for Non-Payroll Costs)
 - If 24-week period, you can use your full PPP loan to pay yourself
 - **TIP:** For self-employed, independent contractors, & sole proprietors with no employees other than themselves, easiest way to obtain full forgiveness is to choose 24-week period and use PPP loan funds for your own payroll

FORGIVENESS: 2-REQUIRED TIME PERIOD

- **Should you choose 8-week or 24-week Covered Period?**
 - Loans approved before June 5 may choose
- **It depends!** You may want to choose **8 weeks** if:
 - You have made >25% reduction in any employee's average weekly wages
 - **Why?** Forgiveness will be reduced by average weekly wage reductions >25% multiplied by full Covered Period
 - Ex: if wage reduction amount >25% is \$100, then
 - 8-week period: forgiveness is reduced by \$800 (8 x \$100)
 - 24-week period: forgiveness is reduced by \$2,400 (24 x \$100)
 - You can only maintain FTEs through week 8 and no FTE reduction exceptions apply
 - **Why?** Forgiveness will be reduced proportionately with FTE reductions (except FTE Reduction Exceptions)
 - **TIP:** Review FTE Reduction Exceptions – they are broad and may prevent forgiveness reductions

FORGIVENESS: 2-REQUIRED TIME PERIOD

- For Payroll Costs & Non-Payroll Costs:
 - Okay if **paid** during your Covered Period
 - Okay if **incurred** during your Covered Period, even though paid after Day 168 (if paid on or before next scheduled payment date)
- Ex: Covered Period June 1 (Day 1) to October 4 (Day 168)
 - Borrower pays May utilities bill on its June 10 due date
 - Eligible for forgiveness? *Yes, fully* – paid during Covered Period
 - Borrower pays October utilities bill on its November 10 due date
 - Eligible for forgiveness? *Yes, partially* – October 1-4 incurred during Covered Period, so that portion can be included
- **TIP:** If including incurred costs that are paid after your Covered Period, be sure to pay on or before the regularly scheduled due date
- **TIP:** Prepayments do not appear to be forgivable – do not prepay costs that are not yet due

FORGIVENESS: 3–MAINTAIN STAFF WAGES \$



- Forgiveness reduced if any employee's average weekly wages reduced more than 25%
 - Excludes (i) any staff who annualized >\$100,000 in 2019 & (ii) owners
- Forgiveness reduced dollar for dollar (by amount over 25%)
 - Pre-COVID wage comparison period is January 1, 2020 – March 31, 2020
- Reduction amount is calculated for full Covered Period
 - Ex: Employee average weekly wages reduced 30%; amount over 25% = \$100/wk
 - If 8-wk Covered Period: reduce forgiveness by \$800 (\$100 x 8 weeks)
 - If 24-wk Covered Period: reduce forgiveness by \$2,400 (\$100 x 24 weeks)
- **TIP: Avoid Staff Wages Forgiveness Reduction**
 - Don't reduce any employee's wages by more than 25%; or
 - Restore wages on or before 12/31/2020 (& before you apply for forgiveness)

FORGIVENESS: 3–MAINTAIN STAFF FTE

- Forgiveness is reduced if you reduce total average full-time equivalent (FTE) employees
 - Calculate FTEs based on 40-hour work week
 - Rounding Option: Divide each employee's hrs/wk by 40 & round to nearest 10th
 - Examples:
 - 40 hrs/wk employee = 1.0 FTE
 - 32 hrs/wk employee = 0.8 FTE
 - Simple Option: Each 40 hrs/wk employee = 1 FTE; each less than 40 hrs/wk employee = 0.5 FTE
 - Examples:
 - 40 hrs/wk employee = 1.0 FTE
 - 32 hrs/wk employee = 0.5 FTE
 - **TIP:** No employee counts as more than 1.0 FTE



FORGIVENESS: 3-MAINTAIN STAFF FTE

- Compare Pre-COVID Period FTEs to Covered Period/APCP FTEs:
 - Pre-COVID Period (choose one):
 - February 15, 2019 to June 30, 2019
 - January 1, 2020 to February 29, 2020
 - Addt'l option if seasonal: any 12-week period between 5/1/19 & 9/15/19
 - Covered Period/APCP:
 - If applying for forgiveness before end of Covered Period/APCP, calculate from loan disbursement through application for forgiveness
 - If applying for forgiveness after end of Covered Period/APCP, calculate for Covered Period/APCP
- **TIP:** New pre-COVID FTE calculation – do not rely on original application count
- **TIP:** To maximize forgiveness, choose pre-COVID period with lowest # of FTEs

FORGIVENESS: 3–MAINTAIN STAFF FTE



■ FTE Reduction Exceptions

- Unable to operate at pre-COVID level of business activity due to compliance with COVID-19 safety/sanitation/social distancing guidance
 - **TIP:** Applies to all FTE reductions
 - **TIP:** If this exception applies, no need to calculate FTEs
- Unable to rehire furloughed employee (refuses to return despite good faith rehire offer)
- Unable to refill furloughed position with similarly qualified worker
- Employee voluntarily resigns or reduces hours
- Employee fired for cause
- Rehire or refill on or before 12/31/2020 (& before you apply for forgiveness)

FORGIVENESS APPLICATION TIPS

SBA Form 3508 (long form) or **SBA Form 3508EZ**: Use SBA Form 3508EZ if:

1. Borrowers with no employees other than the owner

- Self-employed / Independent Contractor / some Sole Proprietors

2. Borrowers with employees & no wage reductions over 25% if one of the following is true:

- Unable to operate during Covered Period/APCP at pre-COVID level of business activity, due to compliance with federal, State or local COVID-19 guidance and restrictions
- or***
- No FTE reductions from 1/1/2020 to end of Covered Period/APCP (or to forgiveness application date, if earlier)
 - Other than FTEs you tried to rehire but furloughed employee refused to return
 - Other than FTEs you tried to refill but no qualified applicants
 - (Currently unclear if other FTE Reduction Exceptions apply)

FORGIVENESS APPLICATION TIPS

Borrowers with no employees - EZ Form Allowed? YES

- Borrowers with no employees other than the owner
 - Some sole proprietors
 - Independent contractors
 - Self-employed individuals
- **TIP:** easiest 100% forgivable use of PPP funds is for your own payroll
 - Choose 24-week period
 - Wait at least 2½ months from loan disbursement to apply for forgiveness
 - No additional Payroll Costs or Non-Payroll Costs documentation required

FORGIVENESS APPLICATION TIPS

Borrowers with employees - Employee Wage Reduction – EZ Form Allowed?

Employee	First Day of Employment	Last Day of Employment	Avg Wages* 1/1/20 – 3/31/20	Avg Wages in Covered Period/APCP	Reduction Percentage	EZ Form Allowed?
Tracy	1/15/2016	N/A	\$15/hr	\$15/hr	0%	Yes, no reduction
Antonio	3/31/2018	N/A	\$25/hr	\$20/hr	20%	Yes, reduction ≤ 25%
Miguel	During Covered Period	N/A	N/A	\$18/hr	N/A	Yes, not employed by 3/31/20
Vanessa	1/2/2014	N/A	\$110,000/yr	\$49,500	55%	Yes, made > \$100,000 annualized in 2019
Lin	12/1/2014	N/A	\$95,000/yr	\$70,300	26%	No, reduction over 25%
Maya (owner)	3/12/2012	N/A	\$95,000/yr	\$70,300	26%	Yes, owner employee

* SBA requires wage comparison to period from 1/1/2020 – 3/31/2020

FORGIVENESS APPLICATION TIPS

Borrowers with employees - Employee FTE Reduction – EZ Form Allowed?

Employee	Avg Hours as of 1/1/2020*	Avg Hours at end of Covered Period/APCP (or forgiveness application date, if earlier)	Explanation	EZ Form Allowed?
Tracy	40/wk = 1.0 FTE	40/wk = 1.0 FTE	No change	Yes
Antonio	20/wk = 0.5 FTE	40/wk = 1.0 FTE	Increased hours	Yes
Miguel (hired during Covered Period)	0/wk = 0 FTE	30/wk = 0.8 FTE	New employee	Yes
James (laid off and not rehired)	30/wk = 0.8 FTE	0/wk = 0 FTE	Refused to return despite good faith offer; no similarly qualified new hire	Yes
Vanessa (laid off and not rehired)	30/wk = 0.8 FTE	0/wk = 0 FTE	No rehire offer made; no similarly qualified new hire	Yes
Maya (owner)	N/A	N/A	Don't include owner	Yes
TOTAL:	3.1 FTE	2.8 FTE	Reduced FTEs but meets exceptions	Yes

* SBA requires FTE comparison to 1/1/2020

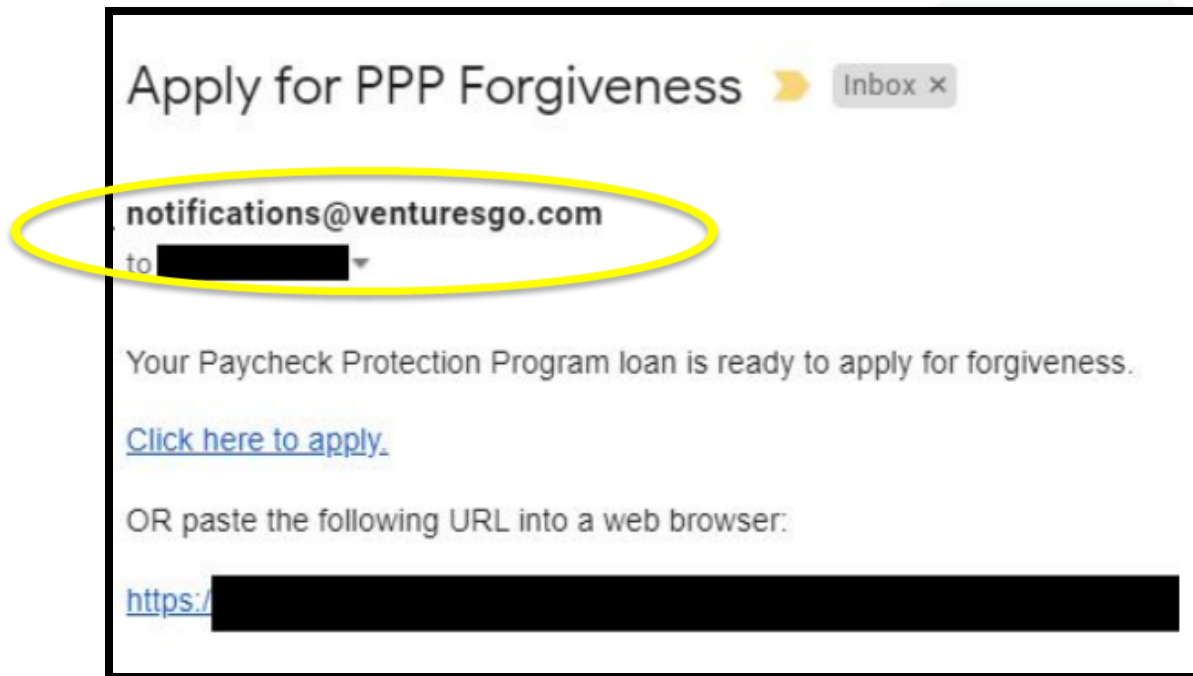
FORGIVENESS APPLICATION TIPS

What will SBA review?

- SBA may review any loan at any time (before or after forgiveness determination)
 - Borrower eligibility
 - For loans over \$2mm, may review “need” certification
 - Loan amount
 - Use of proceeds
 - Forgiveness amount
- If SBA determines borrower ineligible: forgiveness denied
- If SBA determines loan amount, use, or forgiveness amount incorrect: forgiveness reduced or denied
- If SBA determines fraud (doctored 941s, no business, etc.): potential federal prosecution
- Keep records for 6 years after date of forgiveness or repayment in full

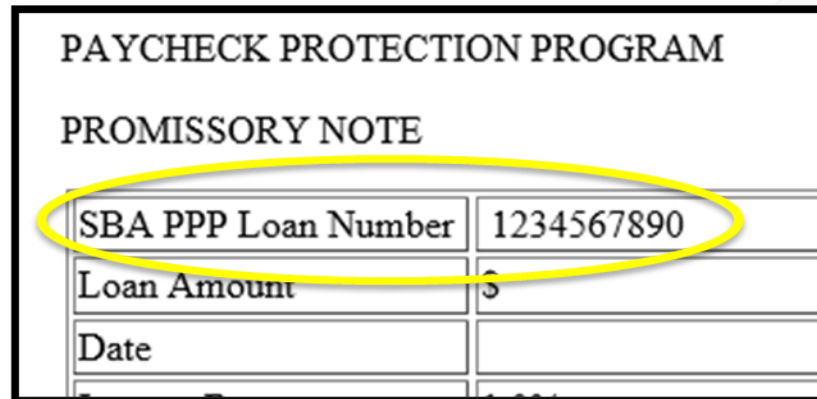
FORGIVENESS – NEXT STEPS

- **On-line Forgiveness Portal – Coming Soon!**
 - We will email you a unique, secure link to access our on-line Forgiveness Application Portal
 - Email will come from notifications@venturesgo.com



FORGIVENESS – NEXT STEPS

- **On-line Forgiveness Portal – Coming Soon!**
- When you receive your link, to access your information, you will need:
 - **SBA PPP Loan Number** (this is on your PPP Note)



The image shows a sample of a Paycheck Protection Program Promissory Note. The document is titled "PAYCHECK PROTECTION PROGRAM PROMISSORY NOTE". It contains a table with the following information:

PAYCHECK PROTECTION PROGRAM PROMISSORY NOTE	
SBA PPP Loan Number	1234567890
Loan Amount	\$
Date	

The "SBA PPP Loan Number" and its value "1234567890" are circled in yellow.

- And either (i) **borrower EIN** or (ii) **last 4 digits of owner SSN**
- We will provide step-by-step instructions on how to apply and upload required documents

FORGIVENESS – NEXT STEPS

- Remember:
 - You may apply for forgiveness for all or a portion of your loan
 - EIDL Advance may reduce forgiveness amount
 - Up to 10 months after your Covered Period to apply
 - You will repay any unforgiven amount over loan term at 1% interest
 - **Coming Soon** - email with your unique, secure link to our online Forgiveness Portal
- If you did not get your PPP loan from Self-Help
 - Contact your PPP lender for their forgiveness process
 - You must work with the lender who made your PPP loan

Q&A



Daryl Newell
President, Seaway Division



Tracy Ward
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Jenny Lautzenheiser
Senior Analyst

- Forgiveness FAQ, webinar recordings & other updates on Self-Help's PPP webpage: <https://self-helpfcu.org/paycheck-protection-program-loan-forms>
- Self-Help PPP borrowers email questions to: Postclosing-PPP@self-helpfcu.org

PAYCHECK PROTECTION PROGRAM