



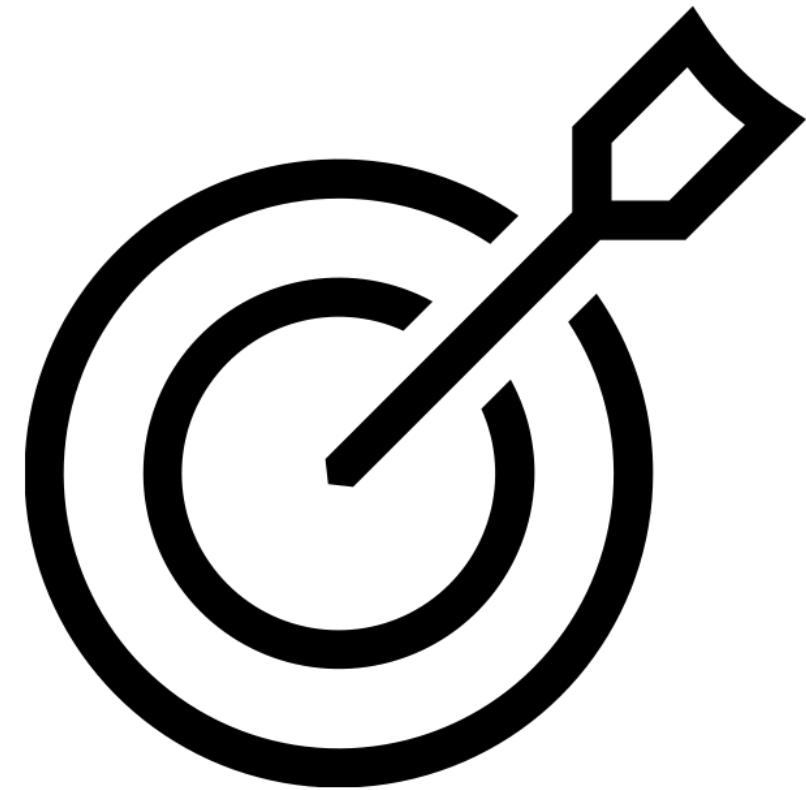
IMPLEMENTING PAYCHECK PROTECTION TO SUSTAIN YOUR BUSINESS AND MISSION

*Joe Recchie
Community Building Partners
April 6, 2020*

Today's Objectives

Understand how to:

1. Rapidly access necessary funds to maintain your enterprise and mission
2. Connect with approved lender and navigate the system
3. Establish the plan for loan forgiveness after 60 days



COVID-19 Federal Relief & Company Financing

SBA Paycheck Protection Program - Overview

- Apply through local SBA lender (e.g. bank)
- Loans of 2.5x Average Monthly Payroll – Max \$10 M
- 1.0% interest
- Loan payments deferred for 6 months
- 100% loan guarantee
- Funds spent on payroll, interest, rent, & utilities are **forgiven**
- Interim Final Rule sent late April 2, 2020

COVID-19 Federal Relief & Company Financing

PPP – Eligible Applicants

- In operation on February 15, 2020 and had employees or 1099-contractors, AND
 - Small business with 500 or fewer employees whose principal residence is in U.S., OR
 - Small businesses that meet SBA size standards also eligible ([sba.gov/size-standards](https://www.sba.gov/size-standards)) OR
 - 501(c)3 nonprofit, 501(c)19 tax exempt veterans organizations, Section 31(b)(2)(C) Tribal business concerns, OR
- Sole proprietor or independent contractor or eligible self-employed individual in operation on February 15, 2020

COVID-19 Federal Relief & Company Financing

PPP – Application Process (cont)

- Needed to apply
 - PPP Application Form (SBA Form 2483)
 - Payroll documentation
 - Other documents as required by each lender
- Must apply before June 30, 2020

COVID-19 Federal Relief & Company Financing

PPP – Eligible Costs

Payroll

- Salary, wages, commissions, or similar compensation
- Cash tips or the equivalent
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for separation or dismissal
- Payment for the provision of employee benefits
- Payment of state and local taxes assessed on compensation

COVID-19 Federal Relief & Company Financing

PPP – Loan Forgiveness

- Amount of forgiveness can be up to full principal and any accrued interest
- The following costs incurred in 8-week period after origination can be forgiven
 - Payroll costs, rent, utilities, interest on mortgage obligations
- No more than 25% of forgiven amount may be for non-payroll costs
- Must submit documentation to lender to request forgiveness

COVID-19 Federal Stimulus & Company Financing

PPP – Loan Forgiveness Reduction

- Awaiting further guidance from SBA
- Initial guidance:
 - **Loan forgiveness** is reduced by a decrease in the headcount of full-time employment
 - Salaries and wages decreased by 25% for any employee making less than \$100k
 - Business has until June 30, 2020 to restore employment levels and wages

COVID-19 Federal Stimulus & Company Financing

PPP – Other Info

- No fees to apply
- No prepayment penalty
- No personal guarantees required
- If received an EIDL prior to April 3, 2020, can apply for a PPP loan also
 - If EIDL used for payroll, PPP loan must be used to refinance EIDL
 - Amount of EIDL added to max PPP loan (2.5x payroll + EIDL)
 - \$10,000 EIDL grant will be reduced from PPP loan forgiveness

Frequently Asked Questions

- 1. Loan Timeline**
- 2. Loan Documentation and Eligible Expenses**
- 3. Loan Forgiveness**
- 4. Loan Terms and Certification**



Loan Timeline

Loan Timeline

When can I apply?

- Starting **April 3, 2020**, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Starting **April 10, 2020**, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

Loan Timeline

How long will this program last?

- Although the program is open until **June 30, 2020**, we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan.



Documentation and Eligible Expenses

Documentation and Eligible Expenses

What do I need to apply?

- You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020. Click **HERE** for the application on Commodore Bank's Website.

Application: <https://commodorebank.com/sba-ppp/>

The image shows a sample of the Paycheck Protection Program Borrower Application Form (SBA Form 2483). The form is titled "Paycheck Protection Program Borrower Application Form" and includes the OMB Control No. 3245-0407 and Expiration Date (09/30/2020). It contains various sections for business information, including "Check One" for business type (Sole proprietor, Partnership, C-Corp, S-Corp, LLC, etc.), "Business Legal Name", "Business Address", "Business TIN (EIN, SSN)", "Business Phone", "Primary Contact", "Email Address", "Average Monthly Payroll", "Purpose of the loan", "Number of Employees", and "Applicant Ownership". It also includes a section for "Questions" with Yes/No answers and a section for "Initials" for questions 5, 6, and 7. The form is labeled "SBA Form 2483 (04/20)" at the bottom left.

Documentation and Eligible Expenses

What other documents will I need to include in my application?

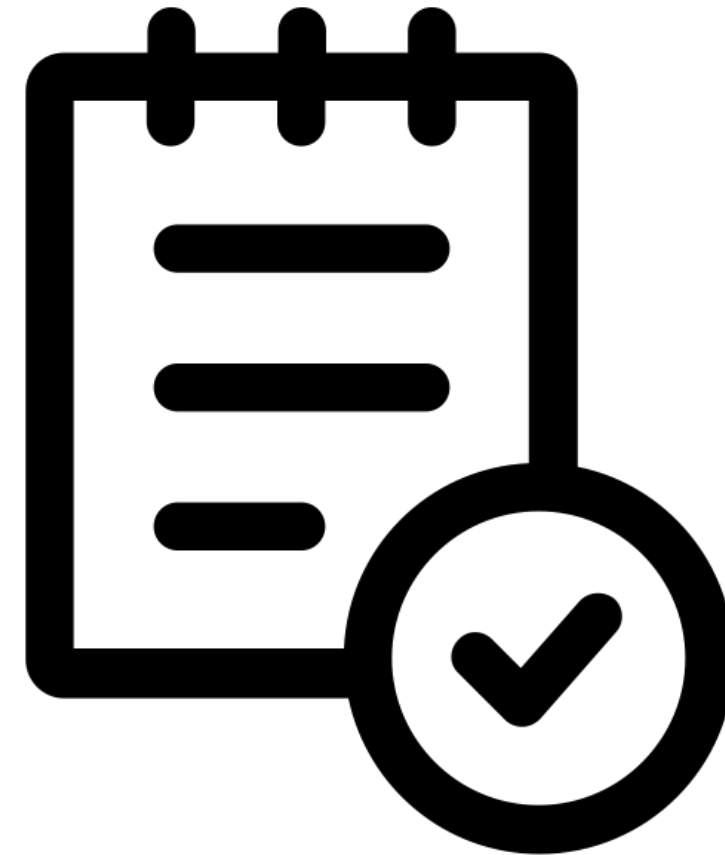
- You will need to provide your lender with payroll documentation.



Documentation and Eligible Expenses

What can I use this loan for?

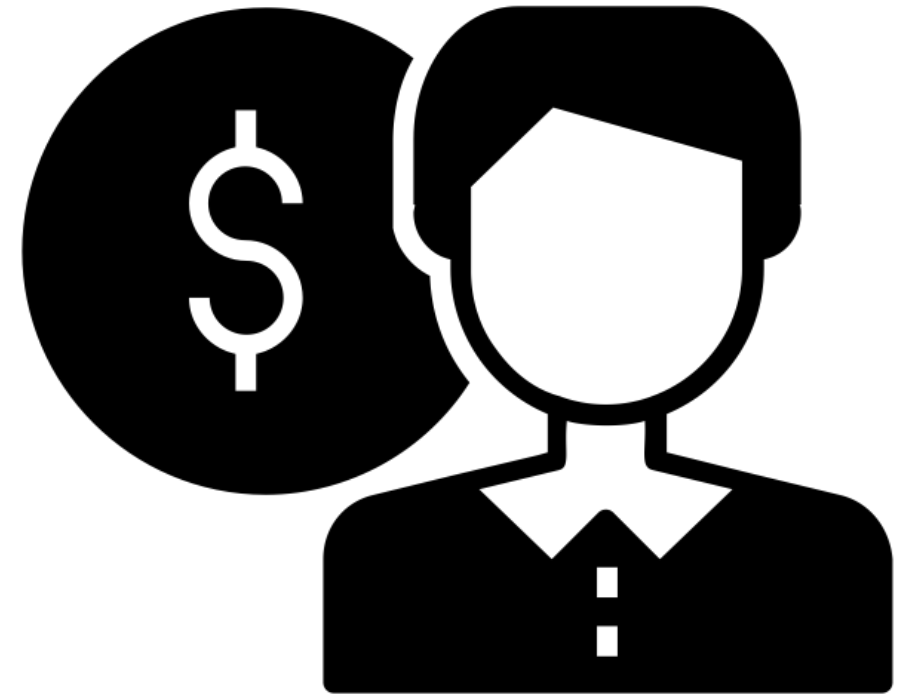
- **Payroll costs**, including benefits
- **Interest on mortgage obligations**, incurred before February 15, 2020
- **Rent**, under lease agreements in force before February 15, 2020
- **Utilities**, for which service began before February 15, 2020.



Documentation and Eligible Expenses

What counts as payroll costs? ★

- Employee Gross wages
- All employer state and local taxes paid on employee gross pay, such as state unemployment insurance and employer-paid state disability insurance (in applicable states)
- Employer health care benefits, including insurance premiums
- Retirement benefits, including employer 401(k) contributions
- The employer portion of federal employment taxes (i.e. FICA and Medicare) are also included.

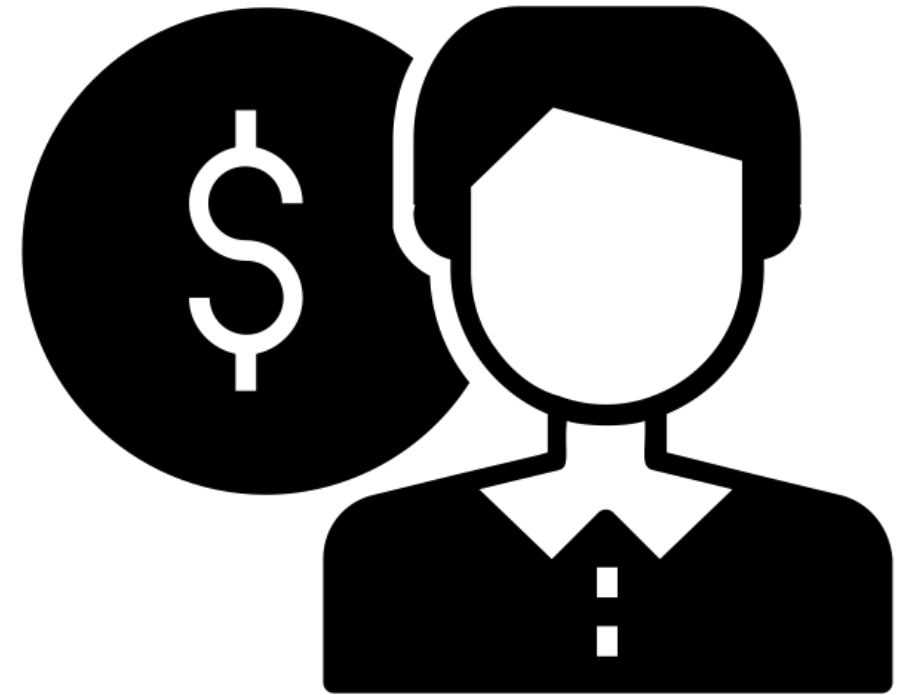


This is where most errors are occurring in applications to date.

Documentation and Eligible Expenses

*What **does not count** as payroll costs? ★*

- Employee gross pay that exceeds \$100,000
- Payments to independent contractors
- Workers compensation premiums
- Federal unemployment tax (FUTA)
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act



This is where most errors are occurring in applications to date.

Documentation and Eligible Expenses

Does the PPP cover paid sick leave?

- Yes, the PPP covers payroll costs, which include employee benefits such as costs for parental, family, medical, or sick leave. However, it is worth noting that the CARES Act expressly excludes qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116–127). Learn more about the FFCRA's Paid Sick Leave Refundable Credit online.

Loan Forgiveness

Loan Forgiveness

Your loans will be forgiven as long as...

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made

AND

- Employee and compensation levels are maintained.



Loan Forgiveness

How much of my loan will be forgiven?

- You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan.
- Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. You will also owe money if you do not maintain your staff and payroll.

Loan Forgiveness

How much of my loan will be forgiven?

- **Number of Staff:** Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- **Level of Payroll:** Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- **Re-Hiring:** You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

Loan Forgiveness

Loan Forgiveness Application

Loan forgiveness is **not** automatic. The organization will need to **submit an application** to the lender that is servicing the loan that includes:

- Documentation verifying the number of full-time equivalent employees on payroll and pay rates;
- State income, payroll, and unemployment insurance filings;
- Documentation, including cancelled checks, payment receipts, transcripts of accounts, or other document verifying payments on covered mortgage and lease obligations and utility payments;
- Certification from an authorized representative that the documentation is true and correct and the amount for which the forgiveness is requested was used for Permitted Uses;
- And any other documentation the SBA Administrator requires.

Loan Forgiveness

Loan Forgiveness Application

No forgiveness is permitted without providing the above documentation.

The lender is required to issue a decision on the loan forgiveness application within 60 days of its submission.

Loan Terms and Certification

Loan Terms and Certification

How large can my loan be?

- Loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount. That amount is subject to a \$10 million cap. If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at \$100,000 annualized for each employee.

Loan Terms and Certification

What are my loan terms?

What is my interest rate?

- 1.00% fixed rate.

When do I need to start paying interest on my loan?

- All payments are deferred for 6 months; however, interest will continue to accrue over this period.

When is my loan due?

- In 2 years.

Can I pay my loan earlier than 2 years?

- Yes. There are no prepayment penalties or fees.



Loan Terms and Certification

What are my loan terms?

Do I need to pledge any collateral for these loans?

- No. No collateral is required.

Do I need to personally guarantee this loan?

- No. There is no personal guarantee requirement.

However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.



Loan Terms and Certification

What do I need to certify?

As part of your application, you need to certify in good faith that:

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- You have not and will not receive another loan under this program.
- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.

Loan Terms and Certification

What do I need to certify?

Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities.

Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

Loan Terms and Certification

What do I need to certify?

All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.

You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

Loan Terms and Certification

How many loans can I take out?

1



Getting to the Finish Line

*Community Building Partners can shepherd your organization
through the process of*

Accessing the Loan
&
Obtaining Forgiveness after 60 Days

Additional Questions?

Joe Recchie

Community Building Partners

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App can be found here:

<https://commodorebank.com/sba-ppp/>