

PPP LOAN FORGIVENESS AND THE NEW FLEXIBILITY BILL VIRTUAL WORKSHOP

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10 -11:30 AM



Broward.org/EconDev



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**HOMES
JOBS
COMMUNITY**

What You Need to Know about the New Forgiveness Rules

National Development Council
June 19, 2020

www.ndconline.org

Today's discussion

- **Who is the National Development Council and Grow America Fund**
- **What is the Paycheck Protection Program (PPP)**
- **What are the changes to PPP forgiveness and how will it benefit your business?**
- **How do I apply for a PPP Loan through Grow America Fund?**
- **FAQs about PPP forgiveness**

About NDC



IMPACT AT A GLANCE

\$880M
for Affordable Housing

\$754M
in New Markets Tax
Credit Allocation

\$2.0B
in Public-Private
Partnership
Development

75K+
Practitioners Trained

\$259M
in Small Business
Loans

100+
TA Client
Communities



About GAF



- **Community Development Financial institution (CDFI) licensed to make SBA 7(a) Loans across the county**
- **Procced Over 70MM in PPP loans to 650+ businesses**
- **Lending program designed to catalyze job creation in underserved communities.**

NDC & SBA



U.S. Small Business
Administration

GAF's Advice to business owners

- **Be patient! Do not Panic! If you have not yet applied for PPP, you can still do so**
- **The rules around loan forgiveness has evolved over the past few weeks to benefit small business owners. Pay attention to updated guidance which may be beneficial. Consult your Lender if you have specific questions**
- **There are no “experts” with more knowledge about PPP – be careful incurring additional expenses with third party “Experts” who claim they can assist in your forgiveness application**

What is the Paycheck Protection Program (PPP)?

- SBA Loan program administered by the SBA but processed by SBA approved Lenders (i.e. Banks, CDFIs, Credit Unions, and Fintech lenders)
- Loan Amount = 2.5x your average monthly payroll
- Applications accepted until funds run out
 - In round II, there is still about \$100 Billion remaining. If you have not yet applied, there is still an opportunity

Changes to the loan forgiveness regulations

- On June 5th, the Paycheck Protection Program Flexibility Act was signed into law which provides businesses with more time and flexibility to obtain loan forgiveness on their PPP loan

	Originally	Amended
Forgiveness Period	8 weeks	24 weeks
Minimum amount spent on payroll	75%	60%
Deadline to bring back employees	June 30th	December 31 st
Loan Term	2 years	5 years
Deferral Period	6 months	No payments required until loan forgiveness has been determined

What do we need to know about the application?

- You must apply for forgiveness
- It is the PAYCHECK Protection Program – payroll costs are the guide – remember the 60/40 rule
- The “Covered Period” is the 24 weeks AFTER the RECEIPT of funds
- The “Alternative Covered Period” is the 24 weeks AFTER the first day of the business first pay period following receipt of the funds

How to MAXIMIZE my forgiveness

Payroll (60% or more) and Non-Payroll Expenses (up to 40%)

PAYROLL EXPENSES

- Salaries
- Commissions
- Payment of cash tips (up to an annual rate of pay of \$100,000)
- Employee group health care benefits, including insurance premiums
- Retirement contributions
- Employee Benefits including costs for vacation, parental, family, medical or sick leave
- Income or net earnings from self-employment (Schedule-C for Sole Proprietors)

NON-PAYROLL EXPENSES

- Interest payments on mortgage obligations, incurred before 2/15/2020
- Rent, under lease agreements in force before 2/15/2020
- Utilities, for which service began before 2/15/2020
- Interest on other debt obligations, previously incurred

How do I document?

Must be submitted with Application

➤ Payroll

- Reports from third-party payroll provider, IRS Form 941, cancelled checks or paystubs

➤ Rent

- Cancelled checks, receipts, or similar documentation showing rent payment, copy of lease agreement to substantiate that it was in effect before 2/15/20

➤ Utilities

- Copies of utility statements and proof of payment (bank statement, cancelled checks)

➤ Mortgage interest

- Copies of mortgage statement and proof of payment (bank statement, cancelled checks)

How do I apply?

<https://ndconline.org/ppp/>

Frequently Asked Questions

Eligible Expenses

- **My business is home-based, and I do not have any eligible expenses to include towards the 25% that can be used for “other.” What are my options for loan forgiveness**
 - If you are able to reach the full loan amount with payroll costs, you are eligible for full loan forgiveness. If you are not able to do this, you will have to repay the remaining balance as a loan.

- **I am not a sole proprietor or independent contractor. As an owner, is my “owner compensation replacement” limited to the same calculation as sole proprietors and independent contractors (which is 8/52 weeks’ worth of the 2019 net profit?)**
 - Yes, all business types that use self-employment income will use the same 8/52 weeks calculation. This includes partnerships and LLCs which used self-employment income from Line 14a on Schedule K-1 and sole proprietorships and LLCs that used the net profit from Schedule C.

Frequently Asked Questions

Eligible Expenses

- **Can I use funds to pay independent contractors and have this count towards loan forgiveness?**
 - No, payments to independent contractors are not an eligible payroll expense

- **What types of taxes paid count toward loan forgiveness?**
 - You can count payment of state and local taxes assessed on employee compensation towards payroll costs. Taxes imposed and withheld from the employee can also be included as payroll costs and count towards loan forgiveness. Federal payroll taxes which are imposed on the employer are not an eligible payroll cost and do not count towards loan forgiveness

Frequently Asked Questions

Eligible Expenses

- **I provide healthcare coverage for my employees with families. Is the full payment of healthcare benefits in these situations counted towards forgiveness? OR only the portion for the employee?**
 - Yes, you can include all healthcare costs in the calculation, regardless of whether it is for an employee or their family as part of a larger coverage plan

- **I have been paying health insurance premiums (COBRA payments) for my laid off staff who has health insurance through us previously. Can I include this in my loan forgiveness?**
 - Yes. If the employee's leave is not covered under the Families First Coronavirus Response Act, this expense qualifies as an eligible payroll cost and can be included with the loan forgiveness calculation.

Frequently Asked Questions

Eligible Expenses

- **I take a monthly “draw” from my checking account. This does not show on my payroll reports. Can this count as an eligible payroll cost?**
 - No, this does not count towards payroll costs. This would be incorporated into the owner compensation replacement figure.
- **What types of interest qualify as “mortgage interest” to qualify as an eligible expense for loan forgiveness (e.g. interest on equipment leases)?**
 - For interest to qualify as an eligible expense for loan forgiveness, the debt must be incurred in the ordinary course of business that (a) is a liability of the borrower; (b) is a mortgage on real or personal property; and (c) was incurred before February 15, 2020.

Frequently Asked Questions

Forgiveness Calculation

- **When does my 24-week period start? When I signed the loan documents or when the funds were received?**
 - You can choose one of two options when determining the 24-week forgiveness period, which is discussed as the “covered period.” Both are based on the date you received your PPP loan funds.
 - Covered Period: 24-week period beginning on the first disbursement date of loan proceeds.
 - Alternative Covered Period: For administrative convenience, if you have a biweekly (or more frequent) payroll schedule, you can calculate eligible payroll costs using the 24-week period that begins on the first day of their first pay period following date you received the funds. For example, if you received funding on April 20th and the first day of the first payroll period after funding is April 26th, you could select the Alternative Covered Period which would begin April 26th and align with your payroll cycle. This is a convenient way for the covered period to align with payroll periods more closely.

Frequently Asked Questions

Forgiveness Calculation

- **Can I apply for forgiveness before the 24-week period after my loan was received if I have all necessary documentation?**
 - Yes, there are no restrictions on when you can apply for forgiveness.
 - At this point Lenders do not yet have direction from the SBA on how to submit a forgiveness application or what the approval process will look like

- **How long after the 24-week period do I have to apply and submit my documentation? When will I know if my loan is forgiven?**
 - SBA has not yet provided a deadline on when forgiveness applications must be submitted. However, once you submit a complete forgiveness application to your lender. They have 60 days to review and submit it to the SBA. Thereafter, the SBA has 90 days to review the application and make a final determination on loan forgiveness.

Frequently Asked Questions

Forgiveness Calculation

- **How are full-time equivalent employees calculated for loan forgiveness?**
 - There are two ways to calculate the number of full-time equivalent employees (FTEs). You can use either method, but you must be consistent in using one method for all calculations.
- **Traditional:** To use this calculation, divide the average number of hours worked per week by 40. Some nuances: an employee cannot count as more than one FTE and employees who work fewer than 40 hours per week are aggregated
 - For instance, if there are five employees in a company and they work 50, 40, 30, 20, and 10 hours each, respectively, this would equal 3.5 FTEs. The calculation results in the following:

Employee averaging 50 hours = 1.0 FTE

Employee averaging 40 hours = 1.0 FTE

Employee averaging 30 hours = 0.75 FTE

Employee averaging 20 hours = 0.5 FTE

Employee averaging 10 hours = 0.25 FTE

TOTAL = 3.5 FTEs

Frequently Asked Questions

Forgiveness Calculation

- **Simplified:** With this method, there are only two values to each employee – 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer than 40 hours per week.
 - For example, if there are four employees in a company and they work 50 hours, 40 hours, 30 hours, and 20 hours, this would equate to 3.0 FTEs.
 - Employee averaging 50 hours = 1.0 FTE
 - Employee averaging 40 hours = 1.0 FTE
 - Employee averaging 30 hours = 0.5 FTE
 - Employee averaging 20 hours = 0.5 FTE

TOTAL = 3.0 FTEs
- Per the SBA final interim rule on the matter:
 - *Average FTE: This calculates the average full-time equivalency (FTE) during the Covered Period or the Alternative Payroll Covered Period. For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is capped at 1.0. A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the Borrower.*

Frequently Asked Questions

Forgiveness Calculation

- **What happens if my number of full-time equivalent employees is different than the “head count” listed on the original PPP loan application?**
 - The figure included in your application is not relevant when calculating loan forgiveness. The number was only used to determine eligibility.

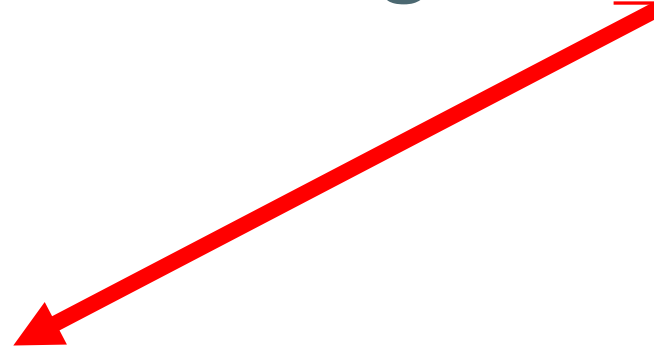
- **Can a new hire count towards eligible payroll costs and my FTE calculation for loan forgiveness?**
 - Yes, you can include all employees who were employed at any point during the covered or alternative covered period if their principal place of residence is the United States.

- **Can I increase pay rates for my employees and/or provide bonuses to count towards loan forgiveness?**
 - Yes, increased salaries and/or bonuses can be paid to employees. However the maximum forgiveness that can be allocated to any single employee is \$15,385 (eight weeks of pay for an employee earning \$100,000)

QUESTIONS AND ANSWERS



- Please submit your Questions using the Q&A Button



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PPP LOAN Forgiveness: DO'S and DON'TS

Sandy-Michael E. McDonald, Director
Office of Economic and Small Business Development



PPP - Do's and Don't

What to DO...

- Have clear knowledge of eligible expenses.
- Be aware! Rules are constantly changing. Know the rules.
- Assemble required documentation and begin your forgiveness application immediately.
- Keep all information in a separate location.
- If you have a CPA use them to prepare and submit the application.
- If you have employees, delegate the assembling and maintaining of information and weekly reporting on the forgiveness application progress.



PPP - Do's and Don't

What **NOT** to DO...

- **DON'T** wait until the last minute to begin your application.
- **DON'T** wait until the last minute to contact your lender to submit your application/documentation.
- **DON'T** omit any required supporting documentation
- **DON'T** fail to respond to any questions on the application.



Ineligible Uses of the PPP Loan

- Dividends and bonuses
- Disbursements to owners, etc. except when directly related to performance of services
- Repayment of stockholder/principal loans, except when the funds were injected on an interim basis because of the disaster and non-repayment would cause undue hardship to the stockholder/principal
- Expansion of facilities or acquisition of fixed assets
- Repair or replacement of physical damages



Ineligible Uses of the PPP Loan (continued)



- Refinancing long term debt
- Paying down (including regular installment payments) or paying off loans provided, or owned by another Federal agency (including SBA) or a Small Business Investment Company
- Payment of any part of a direct Federal debt, (including SBA loans) except IRS obligations
- Relocation
- Other ineligible uses available online.

views | May 14, 2020, 05:48pm EDT

Federal Charges Of PPP Loan Fraud Are Here To Remind You These Loans Are Not “Free Money”



Bruce Brumberg, JD Contributor

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FOR IMMEDIATE RELEASE

Tuesday, May 5, 2020

Two Charged in Rhode Island with Stimulus Fraud

First in the Nation to be Charged with Fraudulently Seeking CARES Act SBA Paycheck Protection Loans

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Owner of Flame Trucking in Georgia allegedly used PPP loan for jewelry, Rolls-Royce

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Maurice Fayne, a former reality television personality and owner of Flame Trucking, has been indicted allegedly using money from the Paycheck Protection Program for personal use, including diamonds and a Rolls-Royce.

On Tuesday, May 12, the U.S. government filed a criminal complaint against Maurice Fayne



How Can EIDL Funds Be Used



FIXED DEBTS (RENT, ETC.)



PAYROLL



ACCOUNTS PAYABLE



SOME BILLS THAT COULD
HAVE BEEN PAID HAD THE
DISASTER NOT OCCURRED

Taking Advantage of EIDL



- There is no cost to apply
- There is no obligation to take the loan, if offered
- The maximum unsecured loan amount is \$25,000; secured up to \$2 million
- Interest rates
 - Small Businesses 3.75 %
 - Most Private, Non-Profits 2.75 %
- Terms up to 30 years
- Long-term repayment will be key

Sustaining Your Business



Consider Your Future Business Model

- Pivoting
- Diversifying
- Reducing



NEED HELP?
CONTACT US



Still Need PPP Funding... Contact Us

The following SBA Lenders are still accepting PPP applications for the 2nd round

Jeni K Chokron, Sr. Relationship Manager, SVP
First Horizon Bank
Broward Team Lead
Commercial Banking
jchokron@firsthorizon.com
1000 S. Pine Island Rd. Ste 430
Plantation, Florida 33324

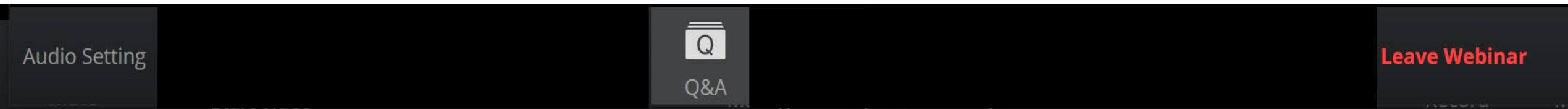
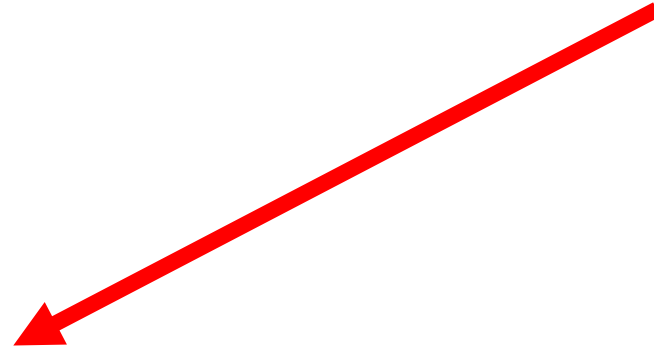
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Legacy Bank
ppploans@legacybankfl.com

Professional Bank
<https://myprobank.com/cares/>

QUESTIONS AND ANSWERS

- Please submit your **Questions** using the **Q&A Button**



Thank You For Joining Us Today!



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