

What Banks Need You to Know About the PPP & Loan Forgiveness



Patrick Donovan
Business Loan Officer



SBA Paycheck Protection Program

- Applications are still being accepted
- Designed as an incentive to keep employees on payroll
- Loans forgiveness available

How Our Members Are Benefitting From the

Paycheck Protection Program



706

Loans Funded



\$31.1M

Total Relief Dollars



\$44K

Avg. Loan Amount

Loan Forgiveness

- SBA and US Dept. of Treasury released interim final rules on **May 20, 2020**
- Businesses can request forgiveness of the loan for expenses paid during the covered period related to:
 - Payroll Costs
 - Mortgage Interest Payments
 - Rent
 - Utility Payments





Loan Forgiveness Period

- Eight consecutive week (56 days) covered period
- The eight week period can begin either on:
 - The date of disbursement of your loan proceeds
 - The first day of the first payroll cycle in the covered period (AKA “the alternative payroll covered period”)

Loan Forgiveness Process

- Complete Loan Forgiveness Application Package
- Submit to Lender
- Lender Must Review and Issue a Decision (Up to 60 Days)
- The SBA Will Review and Make a Decision to Release Funds (Up to 90 Days)





Payroll Costs Eligibility

- Costs generally incurred on the **days the employee worked** or the **days the employee would have worked**
- Alternative payroll covered period can be used for businesses with a **bi-weekly (or more frequent) payroll cycle**

Caps for Owner-Employees and Self-Employed Individuals

- Loan forgiveness requested for owner-employees and self-employed individuals **can be no more than 15.38% of 2019 compensation** or \$15,385 per individual in total across all businesses





Non-Payroll Cost Forgiveness

- Must be **paid during the covered period**
- You can include the portion of the cost that was incurred during the covered period **even if it's paid after the covered period**
- Advance payments of mortgage interest are **not eligible** for loan forgiveness

What Can Reduce Your Forgiveness Amount?

- Decline in full-time headcount
- Decrease in salaries or wages





Reference Periods for Loan Forgiveness

- February 15 to June 30, 2019
- Jan 1 to February 29, 2020
- Seasonal employer:
consecutive 12-week period
between May 1 and
September 15, 2019

FTE Reduction Safe Harbor

- Businesses are exempt from wage reduction if both of the following conditions are met:
 - (1) You reduced your FTE employee levels from February 15, 2020 through April 26, 2020; and
 - (2) you then restored your FTE employee levels by not later than June 30, 2020 to the FTE employee levels held prior to February 15, 2020.





Penalties

- Businesses will not be doubly penalized
- There is no penalty in loan forgiveness if an employee is fired for just cause, voluntarily resigns, or voluntarily requests a schedule reduction

Documentation Requirements

- Loan Forgiveness Application Including:
 - PPP Loan Forgiveness Calculation Form
 - PPP Schedule A
- Payroll Documents
- FTE Documentation
- Non-payroll Expenses



Documentation You Must Maintain but are Not Required to Submit

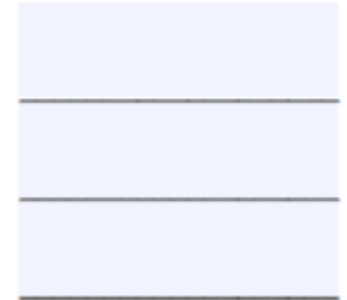
- PPP Schedule A or its equivalent and the following:
 - Documentation supporting the listing of each individual employee in Table 1, including the “Salary/Hourly Wage Reduction” calculation, if necessary

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee’s average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter **0** on line 3.



Documentation You Must Maintain but are Not Required to Submit

- Documentation supporting the listing of each individual employee in Table 2; specifically any employee who received an annualized rate of more than \$100,000 in 2019.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance:

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans:

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation:

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

Documentation You Must Maintain but are Not Required to Submit

- Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests for reductions in a work schedule

Letter Of R

cept this letter as notice
of employment will

very much for the c
ent that you have
orking for you and
compan

Documentation You Must Maintain but are Not Required to Submit

- Documentation supporting the “FTE Reduction Safe Harbor”

Full-Time Equivalency (FTE) Reduction Calculation

If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here , skip lines 11 and 12 and enter **1.0** on line 13.

Line 11. Average FTE during the Borrower’s chosen reference period:

Line 12. Total Average FTE (add lines 2 and 5):

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:

The Importance of Good Record Keeping

- Consider using a separate business checking account for PPP expenses
- Reconcile accounts monthly
- Track and maintain clean credit card records
- Hire a PEO to assist with Payroll and HR needs
- Documents need to be retained for 6 years

Decisions Still Pending on PPP Loan Forgiveness

- Extend the window businesses have to use the funds from eight weeks to 24 weeks
- Push back a June 30 deadline to rehire workers to December 31, 2020
- Provide more leeway on loan forgiveness for business owners who show they could not rehire workers or reopen due to safety standards
- Extend the time recipients have to repay the loan
- Let companies that get loan forgiveness defer payroll taxes

Questions?

- Application, instructions and worksheets:

<https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>

- [Visit hvcu.org/business](https://hvcu.org/business)

- Contact Me:

Patrick Donovan

845.463.3011, Ext 2273

donop@hvcu.org

[Connect on LinkedIn](#)

