

Paycheck Protection Program Update



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SBA Good Faith Certification Guidance

- FAQ #46 issued May 13, 2020
- All applicants must certify “Current economic uncertainty makes this loan request necessary to support the ongoing operations”



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SBA Good Faith Certification Guidance

- Safe harbor – Any borrower that, together with its affiliates, received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith.
- SBA determined less likely to have access to sources of liquidity.
- We still recommend to document internally your decision as an abundance of caution.

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Covered Period vs. Alternative Payroll Covered Period

- Covered Period: Eight weeks/56 days starts on the date of the first PPP loan disbursement.
- Alternative Payroll Covered Period: Borrowers with a bi-weekly (or more frequent) payroll may elect to calculate eligible payroll costs using the eight week/56-day period that begins on the first day of their first pay period following their PPP Loan Disbursement Date.

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Cost Incurred vs. Costs Paid

- **Payroll Costs:**
 - Considered paid on the day that paychecks are distributed, **or** the Borrower originates an ACH credit transaction.
 - Considered incurred on the day that the employee's pay is earned.
 - Note: If bi-weekly we can either utilize Alternative Payroll Covered period **or** accrue days within 8-week covered period.
- **Non-Payroll Costs:**
 - Eligible non-payroll cost must be paid during the covered period **or** incurred during the covered period and paid on **or** before the next regular billing date.



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Eligible Non-Payroll Costs Defined

- **Covered Mortgage Obligations**
 - Payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before 2/15/20.
- **Covered Rent Obligations**
 - Business rent or lease payments pursuant to lease agreements for real or personal property in force before 2/15/20.
- **Covered Utility Obligations**
 - Electricity, gas, water, transportation, telephone, and internet.

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Average FTE

- FTE = at least 40 hours per week
- Employees average number of hours paid per week divided by 40 and round to the nearest tenth.
- Simplified method can be elected.
 - Assigns a 1 for employees who work 40 or more and .5 for employees who work under 40 hours.
- FTE comparison periods remain same
 - 2/15/19 to 6/30/19 **or**
 - 1/1/20 to 2/29/20

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Loan Forgiveness Application consists of 4 components

- 1). PPP Loan Forgiveness Calculation Form
 - 2). PPP Schedule A
 - 3). PPP Schedule Worksheet
 - 4). PPP Borrower Demographic Information Form (Optional)
- Note: All borrowers must submit (1) and (2) to the lender servicing the loan.

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Forgiveness Application



**Paycheck Protection Program
Loan Forgiveness Application**

PPP Loan Forgiveness Calculation Form

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone () - -
		Primary Contact	E-mail Address

SBA PPP Loan Number: _____ Lender PPP Loan Number: _____

PPP Loan Amount: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____


Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____


If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:



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Forgiveness Amount Calculation

Payroll and Non-payroll Costs	Example 1	Example 2
Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):	\$400,000.00	\$300,000.00
Line 2. Business Mortgage Interest Payments:	50,000.00	100,000.00
Line 3. Business Rent or Lease Payments:	25,000.00	75,000.00
Line 4. Business Utility Payments:	25,000.00	25,000.00
Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions		
Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):	50,000.00	50,000.00
Line 6. Add the amounts on lines 1,2,3 and 4, then subtract the amount entered in line 5:	450,000.00	450,000.00
Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):	1.00	1.00



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Forgiveness Amount Calculation

Potential Forgiveness Amounts		
Line 8. Modified Total (multiply line 6 by line 7):	450,000.00	450,000.00
Line 9. PPP Loan Amount:	475,000.00	475,000.00
Line 10. Payroll Cost 75% Requirement (divide line 1 by .75):	533,333.33	400,000.00

Forgiveness Amount		
Line 11. Forgiveness Amount (enter the smallest of lines 8,9, and 10):	\$450,000.00	\$400,000.00



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Salary/Hourly Wage Reduction

	Hourly Wage Example 1	Hourly Wage Example 2	Salary Wage Example 1	Salary Wage Example 1
Step 1 - Determine if pay was reduced more than 25%				
A. Enter Avg. annual salary or hourly wage during Covered Period or Alternative Payroll Covered Period:	\$ 10.00	\$ 15.00	\$ 35,000.00	\$ 56,000.00
B. Enter Avg. annual salary or hourly wage between Jan. 1, 2020 and March 31, 2020.	\$ 15.00	\$ 15.00	\$ 56,000.00	\$ 56,000.00
Divide the value entered in 1A by 1B.	66.67%	100.00%	62.50%	100.00%
Note: if 1C is 75% or more, enter zero in the column above box 3 for that employee, otherwise proceed to step 2.				



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FTE Reduction Exceptions

- Exceptions to the FTE reduction exist if the following situations occur DURING the covered period:
 - Offers for re-hires, in writing, that are subsequently declined by the employee
 - Employee who voluntarily leaves
 - Employees fired for cause
 - Employees who request a reduction in hours or wages

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Safe Harbors

- Salary/Hourly wage reduction safe harbor
 - Annual salary or hourly wage is restored by June 30, 2020
- FTE Reduction Safe Harbor
 - Compare FTE employee levels at June 30, 2020 compared to February 15, 2020, if the same no reduction.



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Guidance Still Needed:

- Ability to move 8-week period due to being under state order
- Annual Retirement Match
- Clarification of 25% reduction of hourly wages

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- We are working to get our spreadsheet updated for all changes – watch for an email later this week
- Questions?

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