



**IMPLEMENTING PAYCHECK  
PROTECTION TO  
SUSTAIN YOUR BUSINESS AND  
MISSION**

*Joe Recchie*

*Community Building Partners*

*April 16, 2020*

# Who We Are



## COMMUNITY BUILDING PARTNERS

Community Building Partners (an enterprise of Praxis Partners) empowers communities by repurposing the tools of business and development and sharing the benefits with nonprofit partners and community organizations.

# Who We Are



## COMMUNITY BUILDING PARTNERS

The founder of Praxia Partners, Joe Recchie, has 40 years of experience in community and economic development.

He has specialized in public-private initiatives, and has applied private sector business, finance and legal experience to support nonprofits and mission driven organizations.

This includes securing over 400 grants and navigating complex compliance requirements at all levels of government.

# Our Outreach

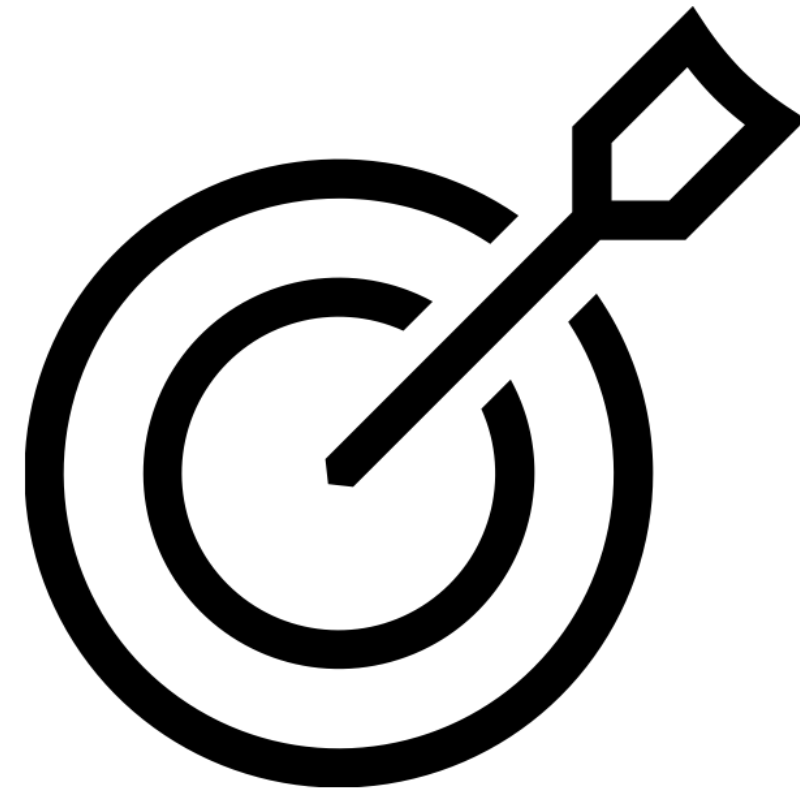
1. Created a series of webinars for interested organizations.
2. Opened up an email and phone number for organizations to ask questions. We can be reached at [paycheckprotection@praxia-partners.com](mailto:paycheckprotection@praxia-partners.com) or 202.495.1657
3. Worked with local community bank [Commodore](#), to streamline and build up capacity for an expedited application process.

**500+**  
**Organizations**  
**Reached To**  
**Date.**

# 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 Calculation**
- 4. Loan Forgiveness**
- 5. 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.

The image shows a sample of the Paycheck Protection Program Borrower Application Form (SBA Form 2483 (04/20)). The form includes sections for business information, applicant ownership, and a series of questions regarding eligibility and financial status. The questions are as follows:

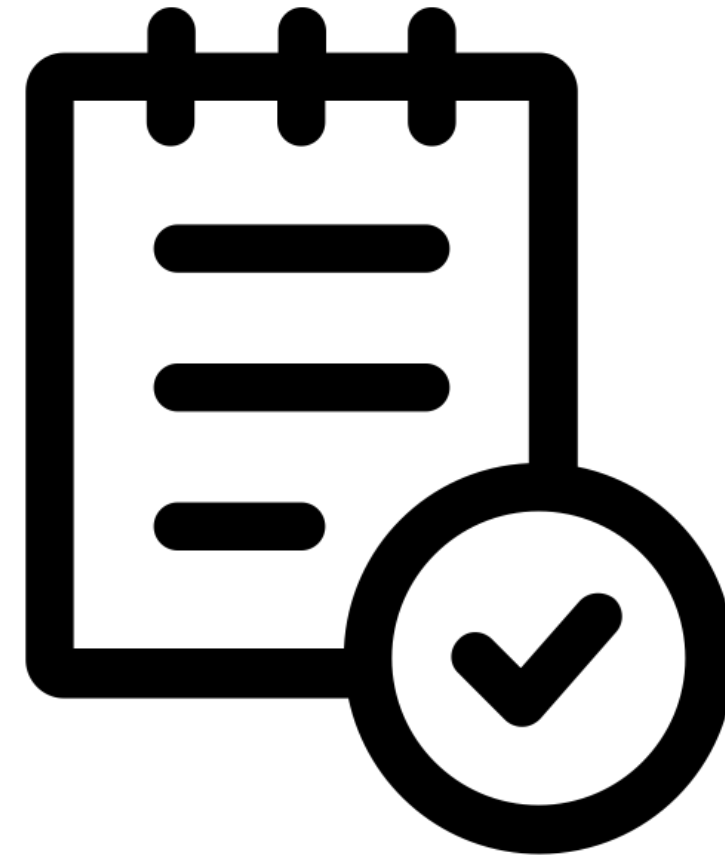
- Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?  Yes  No
- Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?  Yes  No
- Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.  Yes  No
- Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.  Yes  No
- Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole?  Yes  No
- Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)?  Yes  No
- Is the United States the principal place of residence for all employees of the Applicant included in the Applicant's payroll calculation above?  Yes  No
- Is the Applicant a franchise that is listed in the SBA's Franchise Directory?  Yes  No

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

# Documentation and Eligible Expenses

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

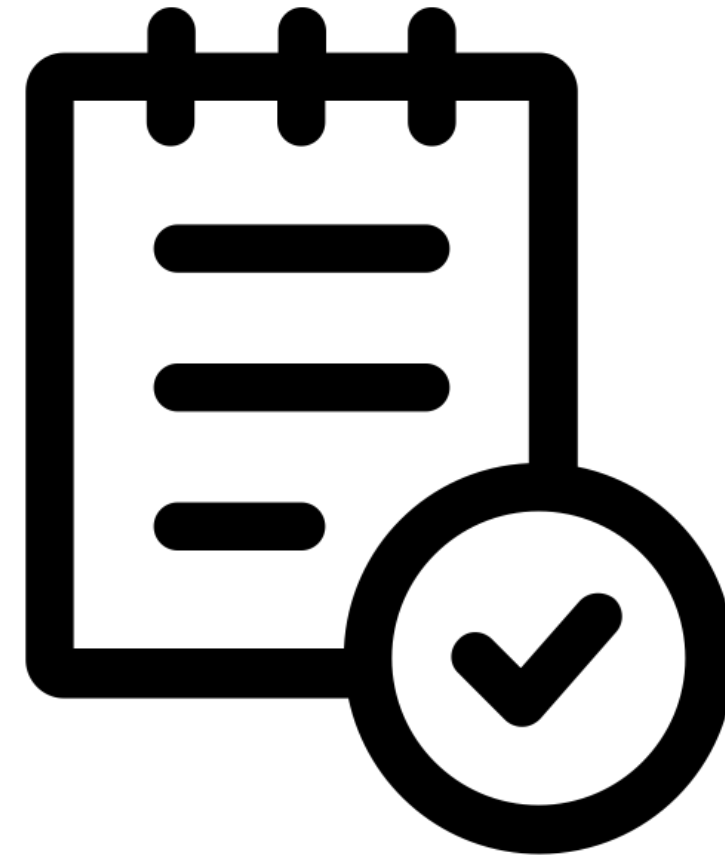
- You will need to provide your lender with payroll documentation.



# 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



***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
- 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
- The employer portion of federal employment taxes (i.e. FICA and Medicare) are **not** included.



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

# Documentation and Eligible Expenses

## *What are eligible costs for Sole Proprietors and Independent Contractors*

1. Applicants can borrow 2.5 times your average monthly “payroll costs.”
2. Payroll costs are defined as net earnings from self-employment.
3. Loan forgiveness is available if you spend 75% of the loan proceeds on payroll costs and 25% on mortgage, rent, and utilities. Must spend in the 8 weeks following the receipt of the loan proceeds.

# 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](#).



# FAQ: What documentation will need to be attached to the application?

The language in the CARES Act briefly touches on the documents needed for the loan application, stating the need to provide:

*“Documentation as is necessary to establish such individual as eligible, including payroll tax filings reported to the Internal Revenue Service, Forms 1099–MISC, and income and expenses from the sole proprietorship, as determined by the Administrator and the Secretary.”*

# FAQ: What documentation will need to be attached to the application?

Business income and expense can be established with either the 2019 Form 1040, Schedule C and/or internal financial statements (balance sheet and income statement). In normal times, a Schedule C would carry more weight. These aren't normal times and financial statements may suffice. But it's ultimately up to the Administrator and the Secretary. Your lender may ask you to provide additional document based on their internal requirements. At minimum, you should be prepared to include the following documents (if applicable):  
2019 tax return, including Schedule C. and/or Schedule 1.

- If your 2019 tax return is not complete, attach the 2019 financial statements along with a 2018 tax return.
- All 2019 Form 1099-MISC.
- 2019 payroll tax forms 940/941.
- Any other documents that can substantiate income, including invoices, bank statements, and earnings statements.

# Loan Calculation FAQ's

# Paycheck Protection Loan Calculation for Business with Employees

- For businesses with employees, you simply take the net self-employment earnings from Schedule C line 31, add back employee wages, employer health insurance costs for employees, and employer retirement plan contribution for employees. Take that number and divide by 12 months to get your average monthly “payroll cost.” Then multiply by 2.5.
- Wages for any employee, as well as the net self-employment income from Schedule C line 31, may not exceed \$100,000 per employee for the purposes of this calculation.

# Paycheck Protection Loan Calculation for Business without Employees

- For businesses without employees, you simply take the net self-employment earnings from Schedule C line 31, and/or Schedule 1 line 8, divide by 12 months to get your average monthly “payroll cost.” Then multiply by 2.5.

# What about self-employed deductions such as home office expense, ½ self-employment tax deduction, self-employed retirement and health care deductions? How are those factored into the PPP calculation?

- Net self-employment earnings reported on Schedule C line 31 is after the home office deduction, which is line 30 of Schedule C. That deduction will cause a reduction in the average monthly payroll cost. The deductions for ½ self-employment tax, self-employment health insurance, and self-employment retirement plans (like a SEP IRAs or solo 401ks) are not factored into the net self-employment earnings calculation. They are adjustments to income to arrive at Adjusted Gross Income, not adjustments to arrive at net self-employment earnings. Likewise, backing out the ½ self-employment tax is only used to determine the amount of net self-employment income subject to self-employment tax. It does not change the net self-employment earnings number.

# What if you have multiple Schedule C businesses?

- If you have multiple Schedule C businesses, you can include the net self-employment earnings from each entity in the PPP calculation.

# 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.
- 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

## *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

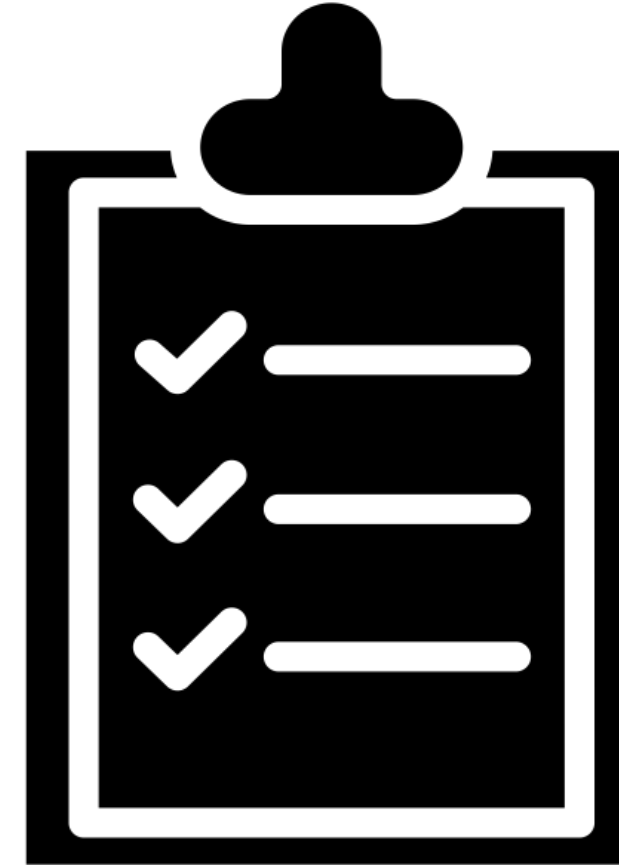
*What are my loan terms?*

**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.





# 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

*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*

*[paycheckprotection@praxia-partners.com](mailto:paycheckprotection@praxia-partners.com)*

*202.495.1657*

*App can be found here:*

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