



CARES ACT SERVICE PROVIDER WEBINAR | APRIL 7, 2020

Introductions

Presenters



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Before we begin...

- All participants have been muted.
- We're monitoring the "chat" functionality throughout the webinar. If you have a question, please ask it in the chat.
- If you're an Agero Provider and have questions unrelated to the CARES act, please reach out to the Provider Advocate Group.
- This presentation is intended to provide a summary of the legislation and should not be relied upon as legal advice.
- The intended audience for this webinar is small business owners. We'll be going through the details of the legislation and walking through an example of what you'll need to do to apply for these loans.
- We will post this slide deck (with reference links) as well as a recording of this webinar for you to access at any time.

CARES Act Overview

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is a \$2 trillion relief act passed in late March 2020 to provide emergency assistance to Americans. The Small Business Association (SBA) received billions of dollars in funding to modify existing loan programs and establish new ones.

What's available to you?

- Congress authorized \$349 billion to the SBA for the **Paycheck Protection Program (PPP)*** which is geared towards providing small businesses with relief expeditiously
- SBA **Economic Injury Disaster Loans (EIDL)***
- Assistance with **existing small business loans** you may already have
- Deferral of payroll taxes to the federal government from March 27-December 31, 2020 (50% payable in 2021 and 50% payable in 2022)

**You can apply for both of these programs, but can't use the funds from each loan to pay for the same expenses.*

Key Takeaways

- With these loan programs (PPP and EIDL), the SBA is waiving the previous requirement for having additional credit options, along with the need to apply for additional credit and failing to secure it prior to applying for these loans—the “Credit Elsewhere Test.”
- The SBA is stating that it will be lenient if you have a poor credit score and are looking more at future lost revenue than the ability to repay.
- The SBA is waiving the requirement to secure the loan with real estate or a personal guaranty, plus the review of personal financial statements.
- There may be fees charged by your lender – but no fees from the SBA

Paycheck Protection Program (PPP)

Paycheck Protection Program Details

- + The *Payroll Protection Program* will make funds available of up to **2.5 times the monthly average payroll** cost of small businesses during the past year (capped at \$10 million).
- + The amounts can be used by you to cover payroll, salaries, rent, and utilities through June 30, 2020.
- + PPP loans are set at a **1% fixed interest rate**, payments are deferred for **6 months** (though interest will be accruing), and the loan term is **2 years**. There is no prepayment penalty.
- + You can only apply for one PPP loan; consider applying for the maximum amount you're eligible for.
- + You may not have to pay back these loans provided you have used the funds to cover your payroll costs, utilities, and rent over the 8-week period after the loan is made, and provided you have maintained employee and compensation levels.

PPP - How to Prepare

Understand and calculate your maximum loan size

- + Average monthly payroll costs x 2.5 (up to \$10 million)

Gather organizational documents

- + Articles of Incorporation
- + DBA Documentation
- + List of Ownership
- + Proof of Payroll
- + Business Tax Returns

Connect with a trusted lender

- + SBA 7(a) Lenders: Banks, savings and loans, credit unions, Community Development Financial Institutions

Time is of the essence. Apply for these programs as quickly as possible as funds are running out.

PPP – Payroll Cost

+ What *qualifies* as payroll cost?

- Compensation to employees in the form of W2 salary, wages, commissions, cash tips, payment for vacation, parental, family, medical, or sick leave
- Allowance for separation or dismissal
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums and retirement
- Payment of state and local taxes assessed on compensation of employees

- For an **independent contractor** or **sole proprietor**: wage commissions, income or net earnings from self-employment, or similar compensation

PPP – Payroll Exclusions

+ What is *excluded* from payroll costs?

- Compensation for employees who reside outside of the United States
- Compensation for 1099 contractors
- Compensation for an individual employee over \$100,000 annually
 - + You can include the full \$100,000 of their salary, but cannot include anything over \$100,000
- Federal employment taxes withheld between February 15 – June 30, 2020 (including FICA and Railroad Retirement Act taxes and income taxes required to be withheld from employees)
- Qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act

PPP - Example Calculations

	Amounts	Description
Jan – March 2019	\$244,172	W2, wages, tips, & other compensation
Apr - June 2019	\$287,740	W2, wages, tips, & other compensation
Jul – Sept 2019	\$194,206	W2, wages, tips, & other compensation
Oct – Dec 2019	\$291,874	
Subtotal	\$1,017,992	
Excluded	\$10,441	Salary in excess of \$100,000
(A) Total Wages	\$1,007,551	
(B) Healthcare	\$77,735	Premiums covering 12 months in 2019
(C) Total State & Local Taxes	\$14,521	
Payroll for calculation	\$1,099,808	(A) + (B) + (C)
Divided by 12 months	\$91,651	
Multiplied by 2.5	\$229,127	

PPP – Application



Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Check One:	<input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		
Business Legal Name			
Business Address		Business TIN (EIN, SSN)	Business Phone
			() -
		Primary Contact	Email Address

Average Monthly Payroll:	\$	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$	Number of Employees:	
Purpose of the loan (select more than one):					
<input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____					

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

PPP – Application

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. 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?	<input type="checkbox"/>	<input type="checkbox"/>
2. 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?	<input type="checkbox"/>	<input type="checkbox"/>
3. 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.	<input type="checkbox"/>	<input type="checkbox"/>
4. 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.	<input type="checkbox"/>	<input type="checkbox"/>

PPP – Application

If questions (5) or (6) are answered “Yes,” the loan will not be approved.

Question	Yes	No
5. 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? Initial here to confirm your response to question 5 → <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. 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)? Initial here to confirm your response to question 6 → <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the United States the principal place of residence for all employees of the Applicant included in the Applicant’s payroll calculation above?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the Applicant a franchise that is listed in the SBA’s Franchise Directory?	<input type="checkbox"/>	<input type="checkbox"/>

Application Dates & Requirements

Friday, April 3, 2020

- **Small businesses** or **sole proprietors** with 500 or fewer employees in the U.S.
 - Affiliated companies may be consolidated and treated as the same entity
- Were in operation on February 15, 2020 and had employees or independent contractors
- Can apply for up to \$10 million

Friday, April 10, 2020

- **Independent contractors** or **self-employed individuals**
- Were in operation on February 15, 2020
- Can apply for up to \$10 million

PPP – Process Once the Loan Is Granted

- + Once the loan is secured, you must track the relevant expenses for an 8-week period.
- + At the end of the period, you will need to return to your lender and provide documentation of the relevant expenses.
- + Your lender will review and if they find the expenses acceptable, they will forgive the portion of the PPP loan used for permitted expenses (so you won't have to repay it).
- + If you reduced your headcount during this time, your lender will reduce the forgiveness in proportion to the reduction
 - E.g. - If payroll is reduced by 25% forgiveness is reduced by 25%.
- + For the portion of the loan not forgiven, the interest rate is 1% for a two-year term. Interest does accrue from the start of the loan, but there is a 6-month deferment on the first payment and no prepayment penalty.

PPP – Loan Forgiveness

- + *Can my PPP loans be forgiven?*
 - Yes, up to the full principal amount of the loan plus any accrued interest.
 - Make sure the loan proceeds are only going towards forgivable purposes, **with at least 75% of the loan proceeds going towards payroll costs:**
 - + Payroll costs
 - + Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
 - + Mortgage interest payments (but not mortgage prepayments or principal payments)
 - + Rent payments
 - + Utility payments
 - + Interest payments on any other debt obligations that were incurred before February 15, 2020
 - + Refinancing an SBA EIDL loan made between January 31-April 3, 2020

Important Note: Loan forgiveness is based on maintaining or quickly rehiring employees and maintaining salary levels. The amount of loan forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

PPP - Loan Forgiveness

+ *What would jeopardize my ability to have my loan forgiven?*

- Using the loan proceeds for unauthorized purposes
- A reduction in the number of employees
- A reduction of greater than 25% paid to employees

+ Keep in mind: If you knowingly use the funds for unauthorized purposes, you will be subject to additional liability such as fraud charges.

Economic Injury Disaster Loans (EIDL)

Economic Injury Disaster Loans (EIDL) Details

- + Apply directly with the SBA (no lender required)
- + No additional documentation such as tax returns or personal financial statements are required when submitting this application.
- + Up to **\$2 million** in assistance
- + May be used to pay fixed debts, payroll, accounts payable, and other bills that can't be paid due to the disaster's impact.
- + The interest rate is **3.75%**
- + The SBA offers loans with long-term repayments in order to keep payments affordable, up to a **max of 30 years**. Terms are determined on a case-by-case basis, based upon your ability to repay.
- + There is an automatic **one-year deferment** on repayment, so the first payment is not due for a full year, although interest begins to accrue at time of disbursement.

EIDL Advance Payment (Grant) Details

- + If you applied for an EIDL loan due to COVID-19, you can request an advance on that loan of up to \$10,000, which the SBA must distribute within 3 days.
 - The advance (or grant) does **not need to be repaid under any circumstance** (even if application is denied), and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent, and mortgage payments.
 - Be sure to **check the box for the grant** within the EIDL application – it is not automatic.
- + If you apply for an EIDL and the advance payment, you can still apply for a PPP loan.
 - However, the amount forgiven under the PPP loan will be decreased by the \$10,000 grant.

Existing SBA Loans

Existing SBA Loans Assistance

- + If your small business already has a loan that is guaranteed by the SBA, the recent legislation will also permit the SBA to make payments on these outstanding SBA-guaranteed loans for six months.
- + Visit the SBA website for more details.

References

Reference Documents

PPP Application

+ [Click here to access](#)

US Chamber of Commerce Guide

+ [Click here to view](#)

PricewaterhouseCoopers Guide

+ [Click here to view](#)

SBA Lender Referral Tool

+ [Click here to access](#)

SBA Website

+ [Click here to visit](#)

EIDL Information

+ [Click here to view](#)

EIDL + Loan Advance Application

+ [Click here to access](#)

Questions