

Business Owner's Guide Payroll Protection Program Loan

The programs and initiatives in the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* that was just passed by Congress are intended to assist business owners. This guide focuses on the Payroll Protection Program ("PPP") offered through credit unions. Other programs available include the Emergency Economic Injury Grant, Economic Injury Development Loan, Small Business Debt Relief Program (available for pre-existing SBA loans). All other programs can be accessed directly through the SBA. To keep up to date on all available loan programs please stay in contact with your local Small Business Administration (SBA) District Office or through the SBA website at sba.gov.

Paycheck Protection Program (PPP) Loans

The program provides cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. Funds are provided in the form of a loan that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities. Due to likely high loan demand, at least 75% of the forgiven amount must have been used for payroll in order to be forgiven. Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government, any agents nor lenders can charge small businesses any fees.

Small businesses with 500 or fewer employees-including nonprofits, veterans' organization, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors-are eligible. Business with more than 500 employees are eligible in certain industries.

Starting April 3, 2020, small businesses and sole proprietorships can apply. Starting April 10, 2020, independent contractors and self-employed individuals can apply. It is encouraged to apply quickly as there is a funding cap.

ALL LENDERS WILL HAVE THE SAME TERMS REGARDLESS OF LENDER OR BORROWER. AGENTS ARE NOT PERMITTED TO CHARGE A FEE TO THE BORROWER AND ALL AGENT FEES ARE TO BE PAID BY THE LENDER.

LIST OF REQUIRED DOCUMENTATION

1. ARTICLES OF INCORPORATION/ORGANIZATION (CORPORATIONS) or BYLAWS/OPERATING AGREEMENT (LLCS) or BUSINESS LICENSE (SOLE PROPRIETORSHIPS)
2. COMPLETED PAYROLL PROTECTION PROGRAM APPLICATION FORM
3. 2019 IRS QUARTERLY 940, 941 OR 944 PAYROLL TAX REPORTS
4. 2019 PAYROLL REPORT (INCLUDING PAYROLL TAXES AND NUMBER OF EMPLOYEES) FOR CALENDAR YEAR 2019 or 2020 PAYROLL REPORT FROM JANUARY 1, 2020 TO FEBRUARY 29, 2020 (NEW BUSINESSES ONLY)
5. DOCUMENTATION SHOWING TOTAL OF ALL HEALTH INSURANCE PREMIUMS PAID BY THE COMPANY OWNER(S) UNDER A GROUP HEALTH PLAN. INCLUDE ALL EMPLOYEES AND THE COMPANY OWNERS
6. DOCUMENT THE SUM OF ALL RETIREMENT PLAN FUNDING THAT WAS PAID BY THE COMPANY OWNER(S) (DO NOT INCLUDE FUNDING THAT CAME FROM EMPLOYEES OUT OF THEIR PAYCHECK DEFERRALS).
7. COMPLETED PAYROLL CALCULATOR WORKSHEET

8. LIST OF ALL EMPLOYEES WITH ANNUAL SALARY OR COMPENSATION IN EXCESS OF \$100,000
9. COPY OF FRONT AND BACK OF DRIVERS LICENSE OR PASSPORT FOR ALL AUTHORIZED SIGNERS OF BUSINESS
10. SCHEDULE OF ANY SUPPLEMENTARY FACTS OR ANSWERS AS REQUESTED IN THE APPLICATION

Payroll includes:

- salary, wages, commissions or similar compensation;
- payment of cash tips or the equivalent;
- payment for vacation, parental, family, medical or sick leave;
- allowance for dismissal or separation;
- payment required for the provisions of group health care benefits, including insurance premiums;
- payment of any retirement benefits; and
- payment of state or local (but not federal, e.g., FICA) tax assessed on the compensation of employees.

Payroll DOES NOT include:

- compensation “in excess of an annual salary of \$100,000” for any given employee, owner, partner, sole proprietor or independent contractor;
- (again) federal withholding;
- compensation for any employee whose principal place of residence is outside of the United States;
- qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-127); or
- qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act (Public Law 116–127).

THIS FAQ IS INFORMATION PROVIDED BY THE FEDERAL GOVERNMENT AND NEITHER MBFS NOR LENDER MAKE ANY REPRESENTATION AS TO THE ACCURACY

FREQUENTLY ASKED QUESTIONS

QUESTION: What types of businesses and entities are eligible for a PPP loan?

Answer: Businesses and entities must have been in operation on February 15, 2020.

Small business concerns, as well as any business concern, non-profits under sections 501(c),(d), or (e), or Tribal business concern described in section 31(b)(2)(C) that has fewer than 500 employees, or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.

Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.

Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72, for which the affiliation rules are waived.

Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company.

QUESTION: What are affiliation rules?

Answer: Affiliation rules become important when SBA is deciding whether a business's affiliations preclude them from being considered "small." Generally, affiliation exists when one business controls or has the power to control another or when a third party (or parties) controls or has the power to control both businesses. Please see this resource for more on these rules and how they can impact your business's eligibility.

QUESTION: What types of non-profits are eligible?

Answer: In general, non-profits under sections 501(c), (d), or (e) with 500 employees or fewer as most non-profit SBA size standards are based on revenue, not employee number. You can check here.

QUESTION: How is the loan size determined?

Answer: Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is always **\$10 million**.

If you were in business February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.

If you were not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.

If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

QUESTION: What costs are eligible for payroll?

Answer: Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
Payment for vacation, parental, family, medical, or sick leave
Allowance for dismissal or separation
Payment required for the provisions of group health care benefits, including insurance premiums
Payment of any retirement benefit
Payment of State or local tax assessed on the compensation of employees

QUESTION: What costs are not eligible for payroll?

Answer: Employee/owner compensation over \$100,000
Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
Compensation of employees whose principal place of residence is outside of the U.S.
Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the *Families First Coronavirus Response Act*

QUESTION: What are allowable uses of loan proceeds?

Answer: Payroll costs (as noted above)

Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums

Employee salaries, commissions, or similar compensations (see exclusions above)

Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)

Rent (including rent under a lease agreement)

Utilities

Interest on any other debt obligations that were incurred before the covered period

QUESTION: What are the loan term, interest rate, and fees?

Answer: For any amounts not forgiven, the maximum term is 2 years, the maximum interest rate is 0.5% percent, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).

QUESTION: How is the forgiveness amount calculated?

Answer: Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8-week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over \$100,000):
Payroll costs **plus** any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) **plus** any payment on any covered rent obligation **plus** and any covered utility payment.

QUESTION: How do I get forgiveness on my PPP loan?

Answer: You must apply through your lender for forgiveness on your loan. In this application, you must include:

Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.

Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.

Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.

QUESTION: What happens after the forgiveness period?

Answer: Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 2 years, at a fixed interest rate of 0.5%. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan. The clock does not start again.

QUESTION: Can I get more than one PPP loan?

Answer: No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

QUESTION: Where should I go to get a PPP loan from?

Answer: All current SBA 7(a) lenders are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including non-bank lenders, to help meet the needs of small business owners.

QUESTION: How does the PPP loan coordinate with SBA's existing loans?

Answer: Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs). However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers.

QUESTION: How does the PPP loan work with the temporary Emergency Economic Injury Grants and the Small Business Debt Relief program?

Answer: Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan as long as there is no duplication in the uses of funds. Refer to those sections for more information.

SBA PPP APPLICATION INSTRUCTIONS

The SBA Payroll Protection Program (“PPP”) loan program can be initiated by providing your information and document through an online portal.

STEP 1: DOCUMENTATION COLLECTION

Gather the following documentation, complete the applicable forms, and scan the documents in a format (pdf preferred) that can be uploaded to the application portal:

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STEP 2: ACCOUNT CREATION

<https://mbfs.force.com/customers>

- Directly under “Log In” click on New Customer? Sign Up
- What product are you interested in? Select SBA
- Enter First Name, Last Name, Email, and Mobile information
- Select Continue
- You will receive a notice that says “Check your email for a link to the application” (Note: the email will be coming from Salesforce so please check your junk or spam folder if you do not receive it within a few minutes)

STEP 3: ENTER APPLICATION INFORMATION

- From your email, select the link or button to apply for a loan
- You will jump to your browser and be prompted to “Create a Password”
- Once a password is created you will walk through the application process
- Request section:

- Loan Amount: Please enter an estimated loan amount based on eligibility guidelines above. Our intention is to provide a loan amount to the fullest extent eligible.
- Loan Purpose: Enter “PPP loan program”
- Are you affiliated with a Credit Union? If yes, please enter the credit union you desire to fund the loan
- Your Business section:
- Legal Business Name: This is the corporate name of the operating small business or non-profit
- Annual Revenue: estimated 2019 revenue
- Tax Identification Number
- Legal Entity Type
- Where is your business located? Billing and physical address
- Personal Info section:
- Role: Select either Owner, Co-Owner, or Partner
- Social Security Number (of owner/partner)
- Contact Information: Enter home and personal mailing address
- Answer Yes/No to Legal Information questions
- Borrowers & Guarantors:
- Select “Skip.” All PPP loans will be made to only one entity and will not require a personal guarantee, co-borrowers, or collateral.
- Review and Submit
- Review the section under “Does everything look right?”
- Click authorization box
- Select “Submit Application”

STEP 4: UPLOAD DOCUMENTS

- You will be taken to a summary screen about next steps in the process along with a follow-up email. Select “Go To Dashboard.”
- Either through the email confirmation or through the application portal you will be at the mail dashboard.
- Under the To-Do List there is an “Upload Documents” section. Members applying for the PPP loan can ignore the requests under this section.
- In the “Additional Documents” section, you have the option to upload documents either by “drag & drop” or browsing your computer for the electronic version of the documents.
- Upload the following documents to the Additional Documents:

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- When all documents have been uploaded please send a follow-up email to your credit union contact. Please understand that processing cannot begin on your application until all required documents are completed

STEP 5: LOAN PROCESSING & CLOSING

- Credit union will begin processing loan request, verify eligibility, and coordinate with business to arrange closing.