

Federal Relief Questions and Answers
April 2, 2020

Mostly Banks are Overrun while Seeking Federal Guidance

You may have noticed that Banks are being overrun by business owners who would like to apply for the **Payroll Protection Program Loan**. We received an instructive communication content from our main bank, Monona Bank via an online banking message (you may be aware of a similar message from your own bank). This will give you a sense as to what the business lenders are going through as they work to get needed funding into your hands:

“To all business banking clients:

The Small Business Administration (SBA) just released the Paycheck Protection Program designed to help small businesses keep workers employed amid the current COVID-19 crisis and economic downturn. The Paycheck Protection Program provides 100% federally guaranteed loans to small businesses who qualify. More importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payroll after the crisis is over.

As your financial partner, Monona Bank is committed to helping you with your application and have attached the necessary application and an Information Sheet at the bottom of this email.

1. Please note:
 - a. Small businesses and sole proprietors can submit applications to lenders starting April 3rd.
 - b. Independent contractors and self-employed individuals can submit applications to lenders starting April 10th.
 - c. The SBA is still writing the Standard Operating Procedures for this loan program.
 - d. Once complete, it will provide clear instructions on how to complete your application, how to calculate your maximum loan amount, where to submit the application, the documentation required, when the funds will be available after loan approval, etc.

At this time, final procedural guidance and required documentation to apply has not been given by the SBA. Please do not submit your completed application at this time, or until guidance has been provided. We anticipate final application guidance will be provided prior to Friday, April 3rd.

The SBA is scheduling training webinars this week to get banks and lenders up to speed. In the meantime, the attached information sheet was prepared to help answer some of the questions you may have about this program.

In reviewing the information sheet, the SBA decided to modify a few key areas, to ensure all loan terms are the same for everyone. Some highlights include: (i) the interest rate will be 0.50%, (ii) the loan term will be two (2) years, (iii) the loan payments will be deferred for six (6) months, and (iv) the loan may be forgiven if loan proceeds are used for payroll costs, mortgage interest, rent, and utilities. Loan forgiveness requires you to maintain your staff and payroll. See information sheet for more information.

We anticipate this will be a highly sought-after loan program; therefore, we are creating a streamlined process to expedite all applications. In the meantime, we encourage you start collecting the following information now to get ready to submit your application:

1. Payroll information from 2019. A report from your payroll provider will be a good start. IRS Form 941 or 944

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2. While we have learned a lot about this program over the past few days, we expect to learn more by Friday so we can take your application once the SBA provides the necessary additional guidance.

As your financial partner, Monona Bank is committed to helping you with your attached application. An additional message will follow this with a PPP Borrower Information Fact Sheet. For more assistance, please contact your business banker or our Business Services Support Team at 608-310-1240 or email at bssupport@mononabank.com. We will get through this together."

Manage your Expectations:

1. There are many seeking loans.
 - a. If your business is not hurt by the pandemic we recommend that you do not apply for the loan, or at least take a place in line a little further back, so that you make room for those who have a dire need for the funds.
 - b. We believe that the funds available in the stimulus package will cover roughly 1/3 of the need.
2. There are many seeking unemployment benefits.
3. Based on the current numbers we believe another stimulus package will be necessary.
4. <https://tax.thomsonreuters.com/blog/small-business-loans-we-finally-have-some-answers/>

Question:

I am self-employed (teaching yoga). 1) Am I considered a gig worker/contractor and therefore entitled to the Pandemic Unemployment Assistance? 2) If so, do I need to have completed my 2019 taxes in order to apply? (I have not yet submitted my tax documents to your office).

1. The answer is yes. It appears that you likely qualify for unemployment assistance. The Pandemic Unemployment Assistance (PUA) program will be administered through state unemployment agencies, so workers seeking PUA should apply through their state office.
2. <https://www.omm.com/resources/alerts-and-publications/alerts/unemployment-assistance-gig-workers-independent-contractors/>

Question:

I am a sole proprietor. Do I qualify for a PPP loan if I don't have any staff or payroll. I don't cut myself a paycheck. It's just me.

1. The issue is that the program is not perfectly clear. Bank loan officers are learning. We are learning. Everyone is learning. What we do know is that PPP Loan applications can be accepted as of today for those with employees. Then the following week, April 10, loans are available for self-employed individuals. There is clarification coming out daily. The bottom line is to apply for the loans when you can even before all of the rules are completely clear. This gives you the chance to have part of your operating expenses written off, loan forgiven. If the loan is not forgiven you have a 4% interest on the loan. I would pursue the loan and learn from the process.
2. <https://www.foxrothschild.com/publications/sba-issues-paycheck-protection-program-guidance/>

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Question:

I have been seeing the \$10,000 fast relief advance for payroll usually within 3 days. Do you advise using this method and then advancing to the additional relief (Payroll x2.5)? I have payroll next week and would like to pay all whether working or not?

1. Yes. I would get fast relief. I don't see a downside to getting funds faster. Our interpretation is that this would be something like an advance on the loan you are already applying for but without the typical several days or weeks it may take to get through the loan approval process.
2. The provisions of the CARE Act that are targeted towards small businesses will include, but not be limited to, the following measures:
 - o **Paycheck Protection Loans ("PPL")** to cover payroll costs, interest costs, rent, and utilities;
 - o **Economic Injury Disaster Loan Grants** to provide an 'immediate' advance of up to \$10,000.00 of working capital to businesses that have applied for Economic Injury Disaster Loans in response to coronavirus; and
 - o **Entrepreneurial Development Programs**
3. **The best starting place for a business seeking one of these loans is the business's lender.** The Small Business Administration ("SBA") will provide 100% federally backed loans to eligible small businesses and is currently working to onboard new lenders to its program. These loans are accessed directly through lenders and will not require SBA pre-approval. The goal is to be ready to fund loans as quickly as possible if and when this legislation is passed into law.
4. <https://www.wardandsmith.com/articles/covid-19-relief-package-to-include-small-business-loans>

A Note about Communication during the Next Few Weeks

Clients are quite understandably in need of communication. We appreciate the opportunity to assist you. The format of communication with regard to the government relief programs at this time must be in the form of emails to and from relief.q-a@sorgecpa.com. We have to consider and weigh the communication needs of the many compared with the needs of the few. While in-person and individual telephone communication is preferred, we need to focus on helping the most clients in the least amount of time. Your emails are having a very positive impact providing guidance to us as to the information needed. Please email your questions. You will be answered back directly with the answer we will post in the email broadcast. ALL QUESTIONS ARE GOOD QUESTIONS. If questions are off topic we will communicate back with you directly whether we can answer the question at this time or refer you to an appropriate source for the answer. Please understand that phone calls will likely be responded to via email and not returned calls. Emails are better at this time.

Please email your government relief questions to Relief.Q-A@sorgecpa.com so that we can work together in order to get questions and answers disseminated as quickly as possible. Thank you!

Based on the feedback we are getting it appears that this communication has been helpful. Statistically we had a high of 56% open rate at the beginning of our communication process now coming down to a 40% open rate. This is based on sending out approximately 5,300 each day. We expect to taper back the daily communication to weekly, likely next week. Then monthly by the end of the month. We will base perceived communication needs on the statistics. We do not want to clutter your inbox unnecessarily.