

Paycheck Protection Program (PPP) Round 2

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Senior Lender*



PPP Round 2

***This presentation is for information only
and should NOT be construed as legal or accounting advice.***

***You are STRONGLY encouraged to work directly with your own
counsel and professional advisors, including your banker, to
ensure any decisions are what is best for you and your business.***

PPP...Round 2

Background and Agenda

The Small Business Administration (SBA) is again charged with implementing the PPP. SBA has made two interim final rulings (one dealing with 'first draw' or new PPP loans while the other deals with 'second draw' PPP loans). PPP Round 2 is made possible through the 'Economic Aid Act'.

The objective is to provide aid and support to small businesses and help maintain employment levels as the COVID-19 pandemic continues to strain nearly every facet of our lives, including the overall economy.

Our goal today is to put information regarding the PPP Round 2 into practical, actionable terms that you can understand and act upon.

Agenda:

- ✓ ***PPP Round 2 Objectives***
- ✓ ***Eligibility and access***
- ✓ ***New PPP Borrowers/Additional Funds for Existing Borrowers***
- ✓ ***Where to turn for more/the best information***

PPP...Round 2

General Overview

The 'Economic Aid Act' provides an additional \$284 billion toward the Paycheck Protection Program (PPP). Significant changes were made to help ensure this additional funding goes to small businesses genuinely in need of the support.

Here are the key factors you will want to be aware of:

- For the first two days after the program reopens (Jan. 11th and 12th), **ONLY APPLICATIONS** from community development financial institutions (CDFI's) will be accepted.
 - *CDFI's typically serve women, minority and underserved entrepreneurs.*
- All businesses may apply until March 31st
- Maximum loan amounts will be calculated using payroll costs for one year – using a date of the applicant's choice in 2019 or 2020
 - *The maximum loan amount is \$2 million (significantly less than the previous \$10 million maximum).*

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General Overview

- You can receive a 'second' PPP loan if you have fewer than 300 employees and lost 25% of your gross receipts over one quarter in 2020 compared to the same quarter in the 2019.
 - *If you are taking out a loan under \$150,000, you do not need to provide documentation of this loss until you apply for forgiveness.*
- Sole proprietors, the self-employed and independent contractors are eligible.
- PPP loans can still be forgiven but a firm must spend at least 60% of PPP funds on payroll.
- There is no collateral or personal guarantees required for PPP loans.

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First Draw Loans

- SBA reopened the PPP for First Draw Loans on Monday, January 11th, 2021.
 - For the first two days, **ONLY** CDFI's may apply.
- First Draw PPP Loans can be used to help fund payroll costs, including benefits.
- Funds can also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations.
- First Draw PPP Loans made to eligible borrowers qualify for full loan forgiveness if, during the 8- to 24-week covered period following loan disbursement:
 - *Employee and compensation levels are maintained;*
 - *Loan proceeds are spent on payroll costs and other eligible expenses; and*
 - *At least 60 percent of the proceeds are spent on payroll costs.*

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First Draw Loans

Who Can Apply

- Eligible small entities, that together with their affiliates (if applicable), have 500 or fewer employees—including nonprofits, veteran's organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors—can apply.
- Entities with more than 500 employees in certain industries that meet SBA's alternative size standard or SBA's size standards for those particular industries can also apply.
 - *Also, eligible to apply for First Draw PPP Loans are businesses with a NAICS Code that begins with 72 (Accommodation and Food Services sector) or eligible news organizations with no more than 500 employees per physical location, as well as housing cooperatives, 501(c)(6) organizations, or destination marketing organizations with no more than 300 employees.*

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First Draw Loans

Reapplying and Loan Increases

- Existing PPP borrowers that did not receive loan forgiveness by December 27, 2020 may:
 - (1) *reapply for a First Draw PPP Loan if they previously returned some or all of their First Draw PPP Loan funds, or*
 - (2) *under certain circumstances, request to modify their First Draw PPP Loan amount if they previously did not accept the full amount for which they are eligible.*

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First Draw Loans

How and When to Apply

- Borrowers can apply for a First Draw PPP Loan until March 31, 2021, through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, eligible non-bank lender, or Farm Credit System institution that is participating in PPP.
- All new First Draw PPP Loans will have the same terms regardless of lender or borrower.
- To promote access for smaller lenders and their customers, SBA will initially only accept loan applications from community development financial institutions starting on January 11, 2021 (for the first two days).
- The PPP will open to all participating lenders shortly thereafter.

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First Draw Loans

Ensuring Access for All

- SBA continues to call upon its lending partners, including Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs), to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities.
- At least \$15 billion is being set aside for 'First Draw PPP loans' to eligible borrowers with a maximum of 10 employees or for loans of \$250,000 or less to eligible borrowers in low- or moderate-income neighborhoods.

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Second Draw Loans

The Paycheck Protection Program (PPP) now allows certain eligible borrowers that previously received a PPP loan to apply for a ***Second Draw PPP Loan*** with the same general loan terms as their First Draw PPP Loan.

- Second Draw PPP Loans can be used to help fund payroll costs, including benefits.
- Second Draw funds can also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations.

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Second Draw Loans

Full Forgiveness Terms

Second Draw PPP Loans made to eligible borrowers qualify for full loan forgiveness if during the 8- to 24-week covered period following loan disbursement:

- *Employee and compensation levels are maintained in the same manner as required for the First Draw PPP loan;*
- *The loan proceeds are spent on payroll costs and other eligible expenses; and*
- *At least 60 percent of the proceeds are spent on payroll costs.*

PPP...Round 2 Second Draw Loans

Targeted Eligibility

A borrower is generally eligible for a Second Draw PPP Loan if the borrower:

- *Previously received a First Draw PPP Loan and will or has used the full amount only for authorized uses;*
- *Has no more than 300 employees*; and*
- *Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020.*

** Note lower employment threshold than first draw PPP loan.*

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Second Draw Loans

Maximum Loan Amount and Increased Assistance for Accommodation and Food Services Businesses

- *For most borrowers, the maximum loan amount of a Second Draw PPP Loan is 2.5x average monthly 2019 or 2020 payroll costs up to \$2 million.*
- *For borrowers in the Accommodation and Food Services sector (NAICS 72) the maximum loan amount for a Second Draw PPP Loan is 3.5x average monthly 2019 or 2020 payroll costs up to \$2 million.*

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Second Draw Loans

How and When to Apply

Borrowers can apply for a Second Draw PPP Loan until March 31, 2021, through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, eligible non-bank lender, or Farm Credit System institution that is participating in PPP.

All Second Draw PPP Loans will have the same terms regardless of lender or borrower.

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The PPP will open to all participating lenders shortly thereafter.



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Second Draw Loans

Ensuring Access for All

SBA continues to call upon its lending partners, including Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs), to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities.

At least \$25 billion is being set aside for 'Second Draw PPP Loans' to eligible borrowers with a maximum of 10 employees or for loans of \$250,000 or less to eligible borrowers in low- or moderate-income neighborhoods.

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While the SBA has released revised criteria, procedures and applications for 'PPP Round 2', your financial institution will be putting in place processes and procedures as well.

New PPP Borrower: Contact your banker/lender. If they are unable/unwilling to assist, other bankers will assist (likely after they have assisted their existing clientele).

Existing PPP Borrower: Now is the time to contact whomever funded your existing PPP loan and inquire about the process and procedure to apply for a second draw.

Remember... Your legal counsel, accountant and banker/lender are key contacts for you and your business at all times. They will help facilitate the PPP process on your behalf and communication is key. Reach out to them with any questions or concerns.

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***Please take this opportunity to ask any questions...
There are experts on the line ready to try and assist.***

First National's COVID-19 Response

First National Bank is your community bank. The COVID-19 situation has stressed every aspect of our community... as citizens, families, employees and employers, our health, well-being and livelihood are all impacted. Let's remember, thank, and provide special respect and appreciation for first responders and everyone involved with health care and helping those who are unable to help themselves, plus those essential workers who continue to keep us all going during this unique time.

First National is here for you... as a depositor, as a borrower, as a community!

These resources were collected and gathered into this presentation especially for First National's small business community. Please reach out and utilize the expertise of your local community banker, legal counsel and accountant for their combined experience, wisdom and business acumen.

Together we are stronger and together we will prosper.

[First National's COVID-19 Response Site](#)



First National... Who We Are

- ✓ Voted Among Best Banks in Livingston County 14 consecutive years
(Livingston County Press and Argus online reader survey)
- ✓ All (OK, most) of the bells and whistles of the big banks with the personalized service you expect from your hometown bank
- ✓ Staff provided nearly 1,000 volunteer hours making a difference across the community – Plus, bank financial support in 2020 exceeded \$150,000 for events, causes and projects that improve the quality of life across Livingston County (even during COVID-19)
- ✓ Only bank headquartered in Livingston County – here for 125+ years
- ✓ First National customers bank with a locally focused partner!



First National Bank Offices

Brighton

Michelle Williams, Branch Manager
9911 E Grand River
West of Old US-23

Laurie Marshall, Branch Manager
8080 Challis Road
South of Grand River

Fowlerville

Mary Tumbarella, Branch Manager
760 S Grand Avenue
North of I-96

Genoa

Laura Carpenter, Branch Manager
4299 E Grand River
East of Latson Road

Hartland

Steve Jacob, Branch Manager
10700 E Highland Road
East of US 23

Howell

Carrie Newstead, Branch Manager
101 E. Grand River
Downtown Howell HQ's

Carrie Conine, Branch Manager
2400 W Grand River
Inside Howell VG's

Whitmore Lake

Angie McFarland, Branch Manager
9775 M-36
West of US-23

Who's Who & Where

Executive Leadership

Ron Long

President/CEO

Leslie Brown

SVP Chief Credit Officer

Mark Huber

SVP Chief Financial Officer

Rick James

SVP Chief Risk Officer

Marty Smith

SVP Senior Lender

Commercial Lending Team

Marty Smith, Senior Lender

Dorothy Harrison

Jim Johnston

George King, Livingston Mkt Mgr

Mark Nowacki

Maureen O'Donohue

Joe Petrucci

Rob Rose, Oakland Market Mgr

Vivianne Rousseau

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