



Capital Region

Family Business Center

Helping Family Businesses Grow and Prosper

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River City Bank

PRESENTS

The CARES Act Paycheck Protection Program

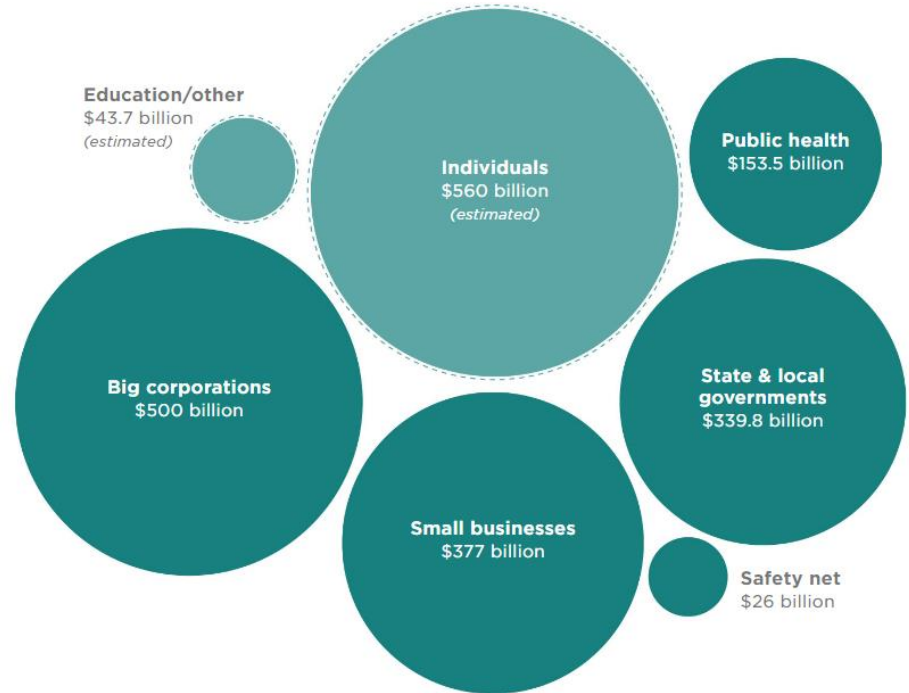
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Disclaimer

The opinions expressed in this presentation represent those of the presenter and do not represent the official policy or position of River City Bank. In no way should this information be construed as advice or guidance from River City Bank.

The CARES Act Support for Small Businesses

The CARES Act has expanded the SBA Section 7(a) Loan Program to administer the \$349 billion Paycheck Protection Program



Source: Estimates for third relief bill based on bill text, committee and administration numbers.

Credit: Audrey Carlsen/NPR.

Paycheck Protection Program

Key Details

Eligibility

- Available to businesses of 500 or less employees (with some exceptions)

Amount

- Maximum loan amount up to \$10 million, or 2.5x average monthly payroll.

Approved Uses

- Payroll, rent, utilities, and mortgage interest.

Loan Forgiveness

- The loans are 100% forgivable provided funds are verifiably used only on approved uses, and at least 75% are used to fund payroll. The forgivable amount may be reduced by reductions in employment and salary figures.

Availability

- The SBA is authorizing banks, credit unions, and other commercial lenders to make SBA loans and will provide a 100% guarantee.

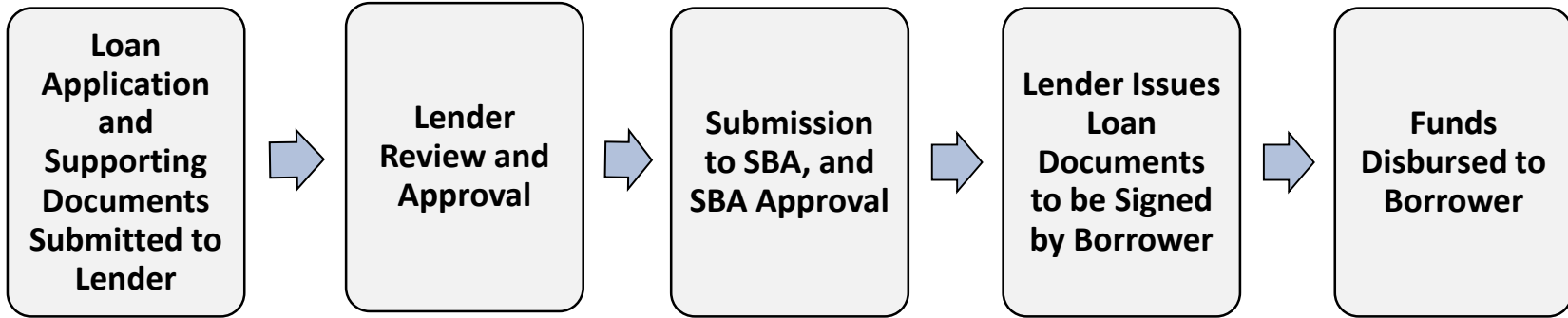
Loan Structure

Key Details

Term	• 2 Years
Interest Rate	• 1.00%
Fees	• None
Payment Deferral	• Payments are deferred for 6 months, though interest will accrue during this period.
Collateral	• None.
Personal Guarantee	• None.

How it Works

Accessing to the Program



Use of Funds and Loan Forgiveness



Eligibility

Eligible:

- A business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard ([Link](#))
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

Special Rules:

- If you are in the accommodation and food services sector (NAICS 72), the 500 employee rule is applied on a per-location basis
- If you are operating as a franchise, or receive financial assistance from an approved Small Business Investment Company, the normal SBA affiliation rules do not apply.

Maximum Loan Amount Calculation Method for Employers

$$\begin{array}{|c|} \hline \text{Sum of} \\ \hline \text{INCLUDED} \\ \hline \text{annual} \\ \hline \text{payroll costs} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Sum of} \\ \hline \text{EXCLUDED} \\ \hline \text{annual} \\ \hline \text{payroll costs} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Total Annual} \\ \hline \text{Payroll} \\ \hline \text{Costs} \\ \hline \end{array} \div \begin{array}{|c|} \hline 12 \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Average} \\ \hline \text{Monthly} \\ \hline \text{Payroll} \\ \hline \text{Costs} \\ \hline \end{array} \times \begin{array}{|c|} \hline 2.5 \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Maximum} \\ \hline \text{Loan} \\ \hline \text{Amount} \\ \hline \end{array}$$

Included

- Salary, wages, commission, or similar compensation
- Payment of cash tip or equivalent
- Payment of vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Health care benefits including insurance premiums
- Payment of retirement benefit
- Payment of state or local tax assessed on compensation of employees

Not Included

- Compensation of an individual employee in excess of an annual salary of \$100K payment of cash tip or equivalent
- Federal employment taxes and income taxes to be withheld from employees (i.e. Taxes imposed or withheld under chapter 21, 22, or 24 of the IRS)
- Any compensation of an employee whose principal residence is outside of the US
- Qualified sick leave or family leave wages for which a credit is allowed under the Families First Coronavirus Response Act

Note: If an applicant received and is refinancing a Economic Injury Disaster Loan (EIDL), they would add the outstanding amount of the EIDL made between 1/31/2020 and 4/3/2020, less the amount of any advance under the EIDL, to the maximum loan amount.

Loan Forgiveness Approved Uses

Payroll Costs

- Employee salaries, commissions, or similar compensation
- Group health care benefits

Rent

- Applicable to lease agreements in place before Feb. 15, 2020

Utilities

- For service which began before Feb. 15, 2020

Interest

- Payments of interest on any mortgage obligation incurred before Feb. 15, 2020*
- Does not include payment or prepayment of principal

The loan is 100% forgivable, provided (i) the funds are used on these approved uses during the 8 week period immediately after origination of the loan, (ii) applicable employee and salary retention requirements are met, and (iii) at least 75% of funds are used on payroll costs.

Loan Forgiveness Reduction Calculation Method

Reduction in forgivable amount based on reduction in number of employees:

Sum of <u>Approved Uses</u> of Funds	X	Average Number of Full Time Employees (FTEs) per Month for the 8 Weeks Beginning with Loan Origination	÷	<u>Option 1</u> The Average Number of FTEs per Month from Feb. 15, 2019 to June 30, 2019
				<u>Option 2</u> The Average Number of FTEs per Month from Jan. 1, 2020 to Feb 29, 2020
				<u>Seasonal Employers</u> The Average Number of FTEs per Month from Feb. 15, 2019 to June 30, 2019

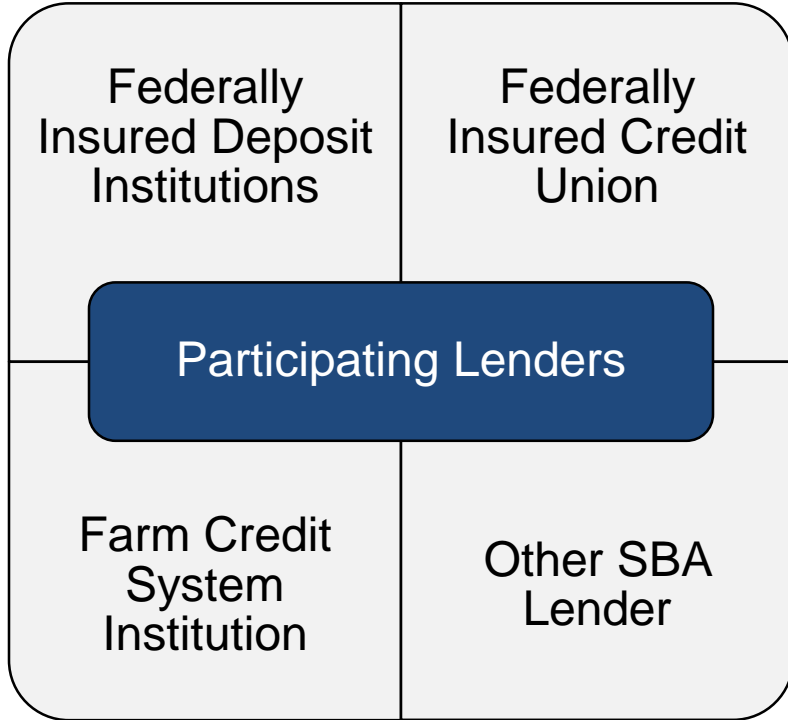
Reduction in forgivable amount based on reduction in salaries:

Sum of <u>Approved Uses</u> of Funds	—	The amount of any reduction in wages that is greater than 25% compared to their most recent full quarter, for any employee that did not earn during any pay period in 2019 wages at an annualized rate greater than \$100,000.
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Note: Reductions in employment or wages that occur during the period beginning on Feb. 15 2020, and ending 30 days after enactment of the CARES Act shall not reduce the amount of loan forgiveness IF the Borrower eliminates the reduction in employees or reduction in wages by June 30, 2020.

Where to Apply

You may apply for the program at any of the following:



Contact Your Bank!

Be aware that many banks have limited or delayed program launches due to:

- (i) Extremely high demand for access to the program,
- (ii) Problems with the SBA electronic application system expansion,
- (iii) Contradictory guidance from the SBA relative to the language of the CARES Act, and
- (iv) Lack of bank resources to process the large volume of requests.

Application Process

What You Will Need

Existing Bank Customer

- Completed and Signed SBA Paycheck Protection Program Application - SBA Form 2483 (04/20)
- Supporting Payroll Documentation for the Period Used to Calculate Applicable Average Monthly Payroll, this may include:
 - Third Party Payroll and Benefit Reports
 - Tax Reporting Documents
 - Detailed Payroll Data

New Bank Customer

- Signed Application Form and Payroll Documentation (Same as for existing bank customers).
- Entity Documents
- New Customer Information Consistent with Regulation and Bank Policy
- Certificate of Beneficial Ownership and Copies of IDs of Relevant Individuals
- Most Recent Federal Tax Return (May Be Required)
- Likely: Annual Financial Statements (May Be Required)

Certifications

What you will need to certify to access the program

Summary of Key Points

- Your business was in operation on Feb. 15, 2020 and had employees for whom it paid salaries and payroll taxes.
- 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. If the funds are knowingly used for unauthorized purposes, you may be held legally liable by the federal government.
- 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 employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, and covered utilities for the eight weeks after getting this loan.
- All the information in your application and all supporting documents and forms is true and accurate. Knowingly making a making a false statement to get a loan under this program is punishable by law.

Status Update

Trouble with Program Rollout

Key Issues

- Inconsistent guidance on eligibility requirements and affiliation rules.
- Inconsistent guidance on average monthly payroll calculation and tax withholding.
- SBA E-Tran System for application submission has been inaccessible to many lenders.
- BSA-AML regulations make new customer onboarding process cumbersome for banks.
- Fear of not getting access has led to anger and frustration among small business owners and their banks.

Contradictory Guidance

What should you rely on?

Examples

Legislation

“(AA) the average total monthly payments by the applicant for payroll costs incurred during the 1-year period before the date on which the loan is made, except that, in the case of

“(II) shall not include—

“(bb) taxes imposed or withheld under chapters 21, 22, or 24 of the Internal Revenue Code of 1986 during the covered period;

Application and Final Guidance

For purposes of calculating “Average Monthly Payroll,” most Applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee. For seasonal businesses, the Applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs over \$100,000 on an annualized basis for each employee. For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.

- iii. Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee’s and employer’s share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and

While awaiting final guidance, banks are taking different approaches. In many cases, the burden of interpretation is falling onto the small businesses applying for the loan.

Q&A

Thank you River City Bank!

For more information about the Family
Business Center/Membership
<https://capfamilybus.org/>



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Next Webinar, Monday, April 13

Families First Act

Presented by:

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