

Paycheck Protection Program Round 2 & Round 1 Implementation*

Presented by:

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* As Understood on 4/22/20. Some content unverified & subject to change.

Housekeeping Items

- Today's Moderator:

Julie Brannon, Membership and Events Coordinator



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- All participants are automatically placed on mute. Feel free to send content related questions using the Questions box on your GoToWebinar panel. If you're having technical issues, please email Julie at membership@nycon.org.

NYCON Offering Free CARES Act Information & Consulting Assistance to all NYS 501(c)3 Organizations

- [Emergency Loan Assistance: Paycheck Protection Program \(PPP\) and Economic Injury Disaster Loan \(EIDL\) Link \(Submit via Online Form\)](#)
- [Wednesday Webinars \(Check Calendar Weekly for Updated Topics\)](#)
- [COVID-19 Resource for Nonprofits on NYCON Website \(Resources\)](#)
- Email Updates

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Interim Funding Bill Update

- Passage in the House this week is expected, but not a foregone conclusion. Representatives are being asked (not ordered) to return to DC to vote on the bill on Thursday. The President has said he will sign the bill and has tweeted that the next stimulus bill needs to include funding for state and local government and infrastructure.
- The bill provides a total of \$484 billion in new spending including \$310 billion in new money for the Paycheck Protection Program.
 - \$60 billion of that amount is earmarked for smaller lenders and community-based financial institutions
 - \$30 billion for loans made by Insured Depository Institutions and Credit Unions that have assets between \$10 billion and \$50 billion
 - \$30 billion for loans made by Community Financial Institutions, Small Insured Depository Institutions, and Credit Unions with assets less than \$10 billion
 - Focus on unbanked and underserved small businesses and nonprofits
 - Adds \$50 billion more to the Economic Injury Disaster Loan (EIDL) program as well as \$10 billion to the EIDL emergency grants program
 - An additional \$75 billion will go to hospitals and \$25 billion for testing, split between the states and federal government

The Numbers

- Round 1 in NY, 81,075 PPP loans approved for \$20,345,681,101.00
- Round 2 Paycheck Protection Program \$349 billion increase brings the total to \$670.335 billion
- Round 1 51,428 EIDL advanced payments (grants) for NY as of 4/20 for \$211,161,000
- Round 1 1,126 EIDL loans as of 4/20 for \$242,425,100
- Round 2 EIDL grants \$10 billion increase brings total to \$20 billion
- Round 2 \$50 billion for EIDL, which will allow approximately \$300 billion in loans

PPP Lenders Survey (over 60 banks)

- Chase Bank 38
- M&T Bank 17
- NBT Bank 12
- Key Bank 11
- Citibank 10
- TD Bank 10
- Community Bank 8
- Bank of America 6
- Glens Falls National Bank & Trust 5
- Bank of Cooperstown (USNY) 4
- Canandaigua National Bank 4
- Tompkins Trust Co. 4
- Adirondack Bank 3
- Capital One Bank 3
- Cross River SBA 3
- Dime Bank 3
- First Republic Bank 3

Now What?

PPP

- Preparing for Round 2
 - Ready your application to apply if you have not done so
 - NYCON recommends any nonprofit with employees apply for the PPP
 - Follow up with the lender to which you applied
 - Was there a loan number assigned for your organization?
 - What is your loan status?
 - Is your app complete and will it be submitted to SBA?
 - If you don't receive a response or update, do you apply through another lender?
 - Some lenders provided loan updates
 - First come, first served

Now What?

EIDL

- Watch the SBA website for reopening of EIDL applications
- If you applied, the SBA is providing the EIDL advanced payments
 - Funding is directly deposited in the bank account provided with no notice
 - Per employee allocation (\$1,000 per employee), but it may be possible to secure \$1,000 for an organization even with no employees
- Loan much more limited and unclear on processing (only a little over 1,100 approved)
 - Loan program with no forgiveness offered (30 year fixed at 2.75%)

Paycheck Protection Program (PPP or 7(a)) Loans Refresher

- **Primary purpose of PPP is to retain employees at their current base pay**
- **Loans:** Guaranteed bank loans intended to temporarily minimize unemployment claims to be used to cover payroll & related costs, including, health insurance premiums & retirement plan contributions; facilities costs, such as mortgage interest, rent, utilities; & interest on pre-existing debt
- **Terms:** 2.5x average payroll up to \$10M, for 2-years w/ 1% max fixed interest, no payments for, at least, 6-months, only available until 6/30/20
 - payroll is calculated based on aggregate cost for the previous 12-months
 - covered loan period is from February 15, 2020 to June 30, 2020
 - Updates continue to be provided by Treasury Department (things are evolving)

PPP Loan Use

The proceeds of a PPP loan are to be used for (Treasury guidance):

- i. payroll costs (as defined in the Act and in 2.f.);
- ii. costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
- iii. mortgage interest payments (but not mortgage prepayments or principal payments);
- iv. rent payments;
- **v. utility payments (gas, electric, internet and telephone mentioned);**
- vi. interest payments on any other debt obligations that were incurred before February 15, 2020; and/or
- vii. refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020. If you received an SBA EIDL loan from January 31, 2020 through April 3, 2020, you can apply for a PPP loan. If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan. Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.
- **However, at least 75 percent of the PPP loan proceeds shall be used for payroll costs.**

PPP Loan Forgiveness

- 2 periods for spending: 8 weeks after loan (meet 75% test) and 6/30/2020
 - 8-week period expenses are loan forgiveness applied for (must meet 75% test)
 - Funds used for eligible expenses after 8 weeks (and by 6/30) would be converted to loan
 - Funds must be used by 6/30/2020 (money would have to be returned if not expended by this date)
- Interest payment on other debt obligations that were incurred before Feb 15, 2020 are allowed, BUT are not included in loan forgiveness (only mortgage interest is ok)
- No mention of raises or hazard pay, but it is expected that reasonable increases as a part of regular business (to keep people working, etc.) will be eligible for forgiveness
 - Recommended to avoid bonuses or pay raises to owners, officers etc.
- Waiting for guidance on what is forgiven if do not meet the 75% payroll test

Expected Loan Forgiveness Amount

- Applies to the use of loan proceeds for allowed expenses during the 8-week period starting from the date of the disbursement of loan proceeds.
- The expenses in the 8-week period are the “Expected Forgiveness Amount.”

Forgiveness Amount = “Expected Forgiveness Amount” x FTE Ratio

- Expected Forgiveness Amount = \$ spent in the 8-week period
- FTE Ratio = Employment Test

FTEs “8-week period” DIVIDED by FTEs in 2019 or 2020

Either 2019: Average FTEs 2/15/19 – 6/30/19 OR

2020: Average FTEs 1/1/2020 – 2/29/2020

Forgiveness Example

- PPP Loan amount - \$500,000
- Amount spent 8-week period - \$400,000 (75% must be on payroll)
- FTEs 8-week period – 85
- FTEs 2019 - 100

Forgiveness Ratio = $85 \div 100 = 85\%$

Forgiveness Amount = $\$400,000 \text{ spent} \times 85\% = \$340,000$

Remaining \$160,000 is rolled into 2-year 1% loan

Key Points

- Must spend at least 75% of loan proceeds on payroll costs
- Forgiveness amount is reduced by
 - Reduction in FTEs
 - Reduction in employee pay rates
- Additional guidance is expected by 4/26/2020
- Any EIDL Grants received reduce the Forgiveness Amount

Forgiveness Documentation

- Verify FTEs and pay rates (payroll records)
- Verify costs spent
 - Payroll
 - Utilities
 - Rent
 - Mortgage Interest
- Cancelled checks, invoice copies
- Payroll tax returns, payroll journals/registers
- Use a separate bank account

QUESTIONS?