

Family Business Resource Center PPP Webinar Series

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Presenters:



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AGENDA

- Focusing Your Sales Force in the COVID-19 Environment: David Mattson, Sandler Training
- PPP Updates: Tim Fogerty, First Bank

Disclaimer

This presentation is furnished for informational use only. It is not intended to be comprehensive, nor does it constitute legal, accounting, tax or other professional advice. We encourage you to consult with your legal, tax and/or accounting professional for specific advice. This presentation is based on information available as of the first date and time of delivery of this presentation. Due to the evolving nature of the regulations and agency guidance addressing the Paycheck Protection Program, all information in this presentation is subject to change without notice.

First Bank recommends a thorough review of the CARES Act, PPP Flexibility Act, and SBA Interim Final Rules, these documents can be found at [First.Bank](https://www.firstbank.com)



Focusing Your Sales Force in the COVID-19 Environment

Presented by: David Mattson, President & CEO,
Sandler Training

Urge Congress to Pass a Standalone Paycheck Protection Program (PPP) Forgiveness Bill



- Congress is only expected to be in session for three more weeks before it goes into recess until after the election. It still has time to act on the streamlined Paycheck Protection Program (PPP) forgiveness bills, particularly as it relates to loans under \$150,000.
- Negotiations are stalled as Congress debates an overall pandemic relief package. Meanwhile, small businesses continue to struggle and wait for clarity on PPP forgiveness.
- While negotiations over a larger pandemic relief package must continue, relief for small businesses should not be held up because of differences over a larger pandemic relief package.
- **PPP forgiveness legislation (S. 4117 and H.R. 7777) already has bipartisan support and could be passed on its own.**

Contact your lawmakers today and urge them to pass standalone PPP forgiveness legislation.

[ABA Link to urge Congress to pass a Standalone PPP Forgiveness Bill](#)

PPP Program Updates: Change of Control

- Guidance is still to be issued on how to handle a PPP loan if there is a proposed change of control of the borrower, but it's been determined that is a requirement that a change of control occurring within 12 months of issuance of an SBA loan (including a PPP loan) does require SBA prior written consent.
- The current recommendation is to complete the forgiveness process and/or escrow the amount of the PPP loan before the change of control.
- More detailed instructions on this issue are expected from the SBA but no time table has been given.

PPP Program Updates: IFR issued 8/24

- Owner-Employee Compensation Rule: Owner-employees with less than a 5% ownership stake in a C-Corp or S-Corp are not subject to the owner-employee compensation rule.
- Non-payroll Cost: The amount of loan forgiveness requested for non-payroll costs may not include any amount attributable to the business operation of a tenant or sub-tenant of the PPP borrower, or, for home-based businesses, household expenses.
 - Example 1: Borrower rents an office building for \$10,000 per month and sub-leases out a portion of the same to the business for \$2500 per month. Only \$7500 per month is eligible for loan forgiveness.
 - Example 2: Borrower has a mortgage on an office building it operates out of, and it leases a portion of the space to other businesses. The portion of mortgage interest that is eligible for loan forgiveness is limited to the percent share of the fair market value of the space that is not leased out to other businesses. An illustration, if the leased space represents 25% of the fair market value of the office building, then the borrower may only claim forgiveness on 75% of the mortgage interest.

PPP Program Updates: IFR issued 8/24



- Example 3 : A borrower shares a rented space with another business. When determining the amount that is eligible for loan forgiveness, the borrower must prorate rent and utility payments in the same manner as on the borrower's 2019 tax filings, or if a new business, the borrower's expected 2020 tax filing.
- Example 4: A borrower works out of his or her home. When determining the amount of non-payroll costs that are eligible for loan forgiveness, the borrower may include only the share of covered expenses that were deductible on the borrower's 2019 tax filings, or if a new business, the borrower's expected 2020 tax filings.

PPP Program Updates: IFR issued 8/24



- Non-payroll Cost: Eligibility of Rent Payments to a Related Party

Rent payments to a related party are eligible for forgiveness as long as

(1) the amount of loan forgiveness requested for rent or lease payments to a related party is no more than the amount of mortgage interest owed on the property during the Covered Period that is attributable to the space being rented by the business and (2)

(2) the lease and the mortgage were entered into prior to February 15, 2020.

Any ownership in common between the business and the property owner is a related party for these purposes.

The borrower must provide its lender with mortgage interest documentation to substantiate these payments. While rent or lease payments to a related party maybe eligible for forgiveness, mortgage interest payments to a related party not eligible for forgiveness.

PPP loans are intended to help businesses cover certain non-payroll obligations that are owed to third parties, not payments to a business's owner that occur because of how the business is structured. This will maintain equitable treatment between a business owner that holds property in a separate entity and one that holds the property in the same entity as the business's.

PPP Updates: EIDL Advance

PPP Forgiveness: EIDL Advance Impact on Forgiveness Amount

SBA's Economic Injury Disaster Loan (EIDL) Advance provided emergency economic relief to American small businesses, non-profits, and agricultural enterprises facing economic disruption due to the COVID-19 impact (Section 1110 of the CARES Act). The EIDL Advance provided businesses up to \$10,000 (\$1,000 per employee) in emergency grants. An EIDL Advance is a grant authorized by the CARES Act. An EIDL Loan is a separate direct loan made by SBA under the Small Business Act.

PPP Forgiveness for Borrowers with EIDL Advances

If a PPP Borrower received an EIDL Advance, SBA is required to reduce the Borrower's loan forgiveness amount by the amount of the EIDL Advance (Section 1110(e)(6) of the CARES Act). SBA will deduct the amount of the EIDL Advance from the forgiveness amount remitted by SBA to the Lender. The Lender will be able to confirm the amount of the EIDL Advance that will be automatically deducted by SBA from the forgiveness payment by reviewing the borrower's EIDL Advance information in the PPP Forgiveness Platform **after** the lender completes the forgiveness decision submission for that Borrower.

If a Borrower received an EIDL Advance **in excess of or equal** to the amount of its PPP loan, the Borrower will not receive any forgiveness on the PPP loan because the amount of the EIDL Advance is deducted from the PPP loan forgiveness amount. In the event the PPP loan is not forgiven in full, the Lender is responsible for notifying the Borrower of the date on which the Borrower's first loan payment is due. The Lender must continue to service the loan in accordance with SBA Loan Program Requirements. The Borrower must repay the remaining loan balance by the maturity date of the PPP loan (either two or five years).

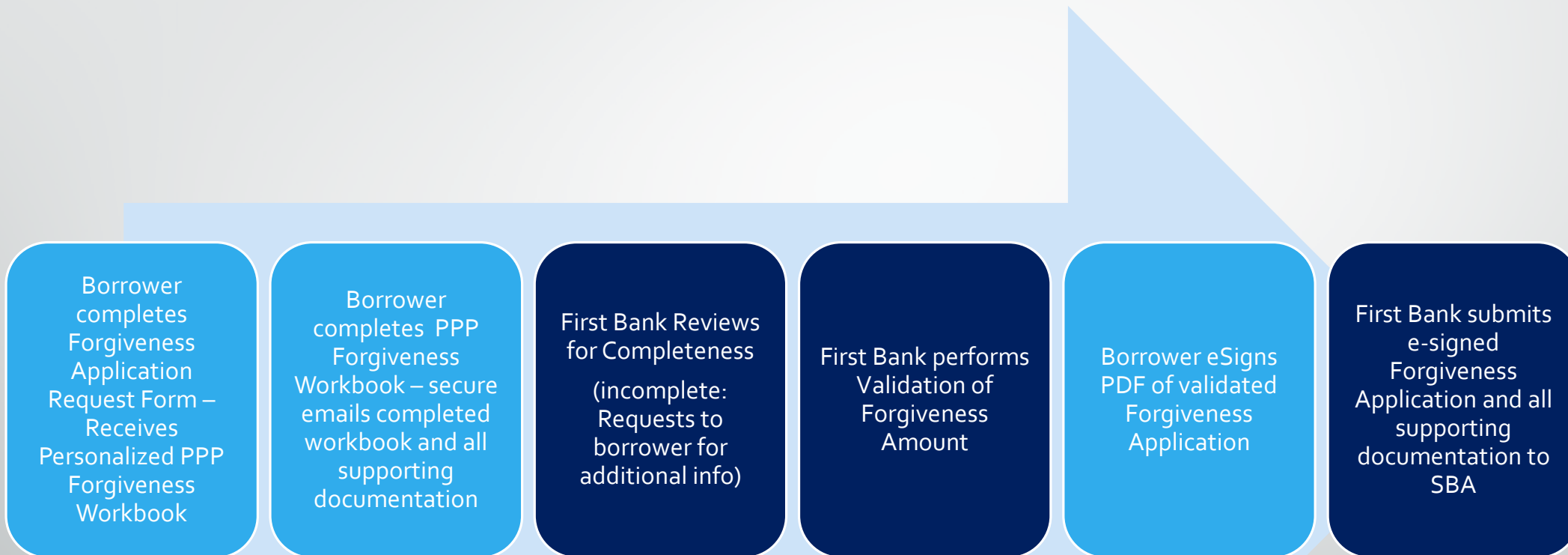
If a Borrower is determined to have been ineligible for a PPP loan for any reason, SBA may seek repayment of the outstanding PPP loan balance or pursue other available remedies. SBA also will seek repayment of the processing fee from the Lender that originated the loan if within one year after the loan was disbursed SBA determines that the borrower was ineligible.



First Bank PPP Process

- First Bank is accepting PPP Forgiveness Applications
- Begin the process by completing the Forgiveness Request form
 - Form is accessed through secure email or the First Bank website
- Important to Note:
 - Follow Instructions provided in the Forgiveness Workbook
 - Return completed workbook and all required documentation by replying to the secure email
 - 60% of submitted applications have required follow-up (incomplete app, missing documentation)

First Bank PPP Process



Notice to Borrowers- loans funded prior to 6/5



- In accordance with the PPP Flexibility Act, all PPP borrowers are entitled to defer payments on their PPP loan until the earlier of:
 - the date on which the amount of forgiveness for the PPP Loan determined under applicable law and PPP rules is remitted by the Small Business Administration (SBA) to the Lender;
 - the date the SBA notifies the Lender that no Loan forgiveness is allowed on the PPP Loan, or
 - if the borrower has not yet applied for loan forgiveness, the date 10 months after the last day of the “covered period” for the PPP Loan, as defined in applicable law and PPP rules.
- As provided in the Note for your PPP loan, interest will continue to accrue on the PPP Loan during the deferment period.
- No payment on your PPP Loan will be required until the end of your new Initial Deferment Period, and the First Payment Date and Monthly Installment amounts will be recalculated upon the conclusion of the new Initial Deferment Period.

Notice to Borrowers- loans funded prior to 6/5



- The Borrower's Loan Forgiveness Covered Period as defined in your PPP Note may be for either the 8-week or 24-week period following disbursement of the PPP loan and not more than 40% of the amount forgiven can be attributable to non-payroll costs.
- In light of the permissible expansion of the covered period, First Bank is waiving the covenant contained in the PPP Note to apply for forgiveness within 6 months of the date of the note.
- Borrower's whose loans funded before 6/5/2020 are impacted by this notice.
- Notice to impacted Borrowers was provided via secure email on 9/2/20.

Resources



- US Department of Treasury
<https://home.treasury.gov/>
- Small Business Association
<https://www.sba.gov/>
- First Bank's COVID-19 web page
first.bank



Thank You