

PPP Loan Forgiveness Webinar

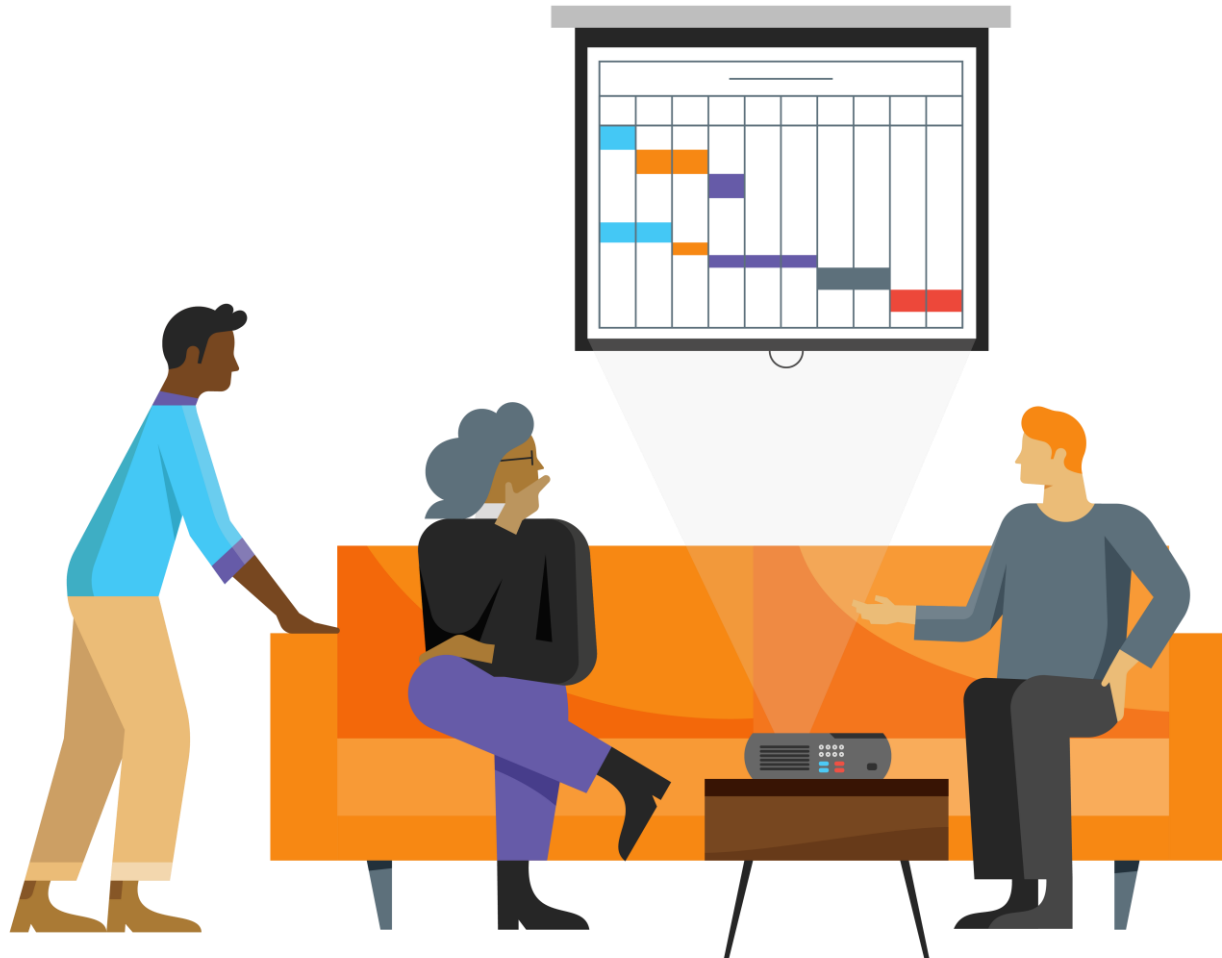
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Welcome to Nonprofit Finance Fund's PPP Webinar!

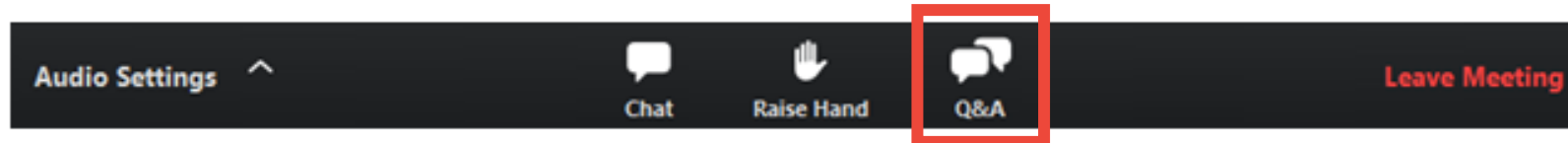
Below are a few housekeeping items to review before we get started:

Please try dialing in using your phone if you're having trouble connecting to audio on your computer.

Find the 'audio settings' in your Zoom panel → click the 'up' arrow → select 'switch to phone audio' → dial in on your phone using the number and meeting ID

Dial In: (646) 876-9923
Meeting ID: 886 4079 2290

We will have time for Q&A in the second half of the webinar. To submit a question to the NFF PPP team, please click on the "Q&A" button at the bottom of the Zoom screen.



PPP Loan Forgiveness Guidance Has Changed Over Time and May Still Evolve

- SBA released the most recent forms of loan forgiveness applications and instructions on 1/19/21
- FAQs for the PPP loan program was last updated on 4/6/21 and will be further revised to reflect changes made by the American Rescue Plan Act of 2021
- FAQs for PPP loan forgiveness was last updated on 10/13/20

This presentation reflects our best understanding at the time it was prepared. It will likely change as updated guidance is released. Check the SBA website for the latest updates.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Requirements to qualify for full loan forgiveness

Borrowers must meet **three primary requirements** to qualify for full forgiveness:

- Loan proceeds were used to cover **eligible** payroll and nonpayroll expenses
- Expenses must have been **incurred or paid** during the covered period
 - **Covered Period**
 - The 24-week (168-day) period beginning on the PPP loan disbursement date
 - However, for loans disbursed prior to 6/5/20, borrowers have the option to select an eight-week (56-day) Covered Period
 - Cannot have any overlap between first- and second-draw PPP loan covered periods
- Subject to exceptions, i.e., there can be **no reductions** in the number of employees or the salaries of employees during the covered period

Timing for Seeking Loan Forgiveness

- Once you have spent all funds from a PPP loan (or all funds for which you're intending to seek forgiveness), you may apply for forgiveness
- Apply within 10 months following the end of your covered period to avoid repayment on any forgivable amount
- After the 10-month deadline for applying for forgiveness has passed, principal and interest payments will begin, but you may still apply for forgiveness through the end of your repayment term
- For borrowers with two PPP loans of \$150K+, you must submit your first-draw forgiveness application before seeking second-draw forgiveness or submit both applications simultaneously

At least 60% needs to be spent on payroll to qualify for full loan forgiveness

At least 60% must be spent on:

- Salary, wages, and commissions
 - Up to **\$46,154** per employee for **24-week covered period**
 - Up to **\$15,385** for **8-week covered period**
- Vacation, sick, and leave time
 - No double-dipping with tax credits being claimed under the Families First Coronavirus Response Act
- Continued group healthcare benefits and retirement plans paid by the employer
 - Includes health insurance premiums and retirement contributions
- Payroll taxes
 - Includes state and local payroll taxes
 - Excludes federal taxes and employee withholdings

The remaining 40% can be spent on a limited set of non-payroll expenses

Up to 40% may be spent on:

- Debt service on loans secured by a mortgage or security interest in real or personal property
 - May include real estate loans, as well as equipment loans on cars and office equipment
 - Unsecured debt is not an eligible expense
- Lease payments for office space
- Utilities
 - Electricity, gas, water, transportation, telephone, or internet
- Other eligible uses for [Round 2](#) draws:
 - Essential business software or cloud computing services
 - Costs related to property damage and vandalism or looting due to 2020 public disturbances that are not covered by insurance or other compensation
 - Certain supplier expenditures essential to the operations of the business
 - Covered worker protection expenditures, including costs to comply with requirements or guidance established by the DHS, CDC, OSHA or any state or local agency related to worker safety due to COVID-19.

Three Ways PPP Loan Forgiveness Can be Reduced

1

The number of FTEs are reduced

A reduction in the FTE count during the covered period will **proportionally reduce** the loan forgiveness amount

- FTE count during covered period is compared to your choice of reference period
 - Calculate average hours worked during one of the following periods:
 - 2/15 - 6/30/19; or
 - 1/1 - 2/29/20; or
 - For seasonal employers only, any consecutive 12-week period between 2/15/19 – 2/15/20
- FTEs are calculated based on a **40-hour work week** using your choice of calculation
 - Each employee's average number of hours worked per week is divided by 40 (to one decimal point) OR each employee working 40 hours or more counts as 1 FTE, all others count as 0.5 FTE

Three Ways PPP Loan Forgiveness Can be Reduced

2

Employee compensation is reduced

- Compensation reductions of more than 25% for an employee will be **directly subtracted** from the loan amount eligible for forgiveness

3

Spending on non-forgivable costs

- Amounts spent on other debt service, EIDL refinancing, or other allowed, but non-forgivable costs will **convert to a loan** at 1% interest with a term of two years (if closed prior to 6/5/20) or five years

Certain FTE reductions do not impact loan forgiveness

Loan forgiveness will NOT be reduced for FTE count reductions where:

- Employees reduced FTE count between 2/15 - 4/26/20, but subsequently restored the count to what it was as of 2/15/20 no later than 12/31/20 for loans made prior to 12/27/20, or the end of the covered period for loans made after 12/27/20
- Able to document, in good faith, that [operations were required to be reduced](#) between 2/15/20 and the end of the covered period [to comply with health and safety guidance related to COVID-19 issued by HHS, CDC or OSHA](#) related to sanitation, social distancing or other worker or customer safety requirements

Loan forgiveness will also not be impacted by FTE reductions for positions that were not filled by new employees in cases where:

- (i) A [good-faith, written offer was made during the covered period to re-hire an individual who was an employee as of 2/15/20](#) at the same salary and hours as prior to the reduction was: rejected by the employee and (ii) the employer was unable to hire a qualified employee for the unfilled position on or before 12/31/20 for loans made before 12/27/20 and the last day of the covered period for loans made after 12/27/20
- A [good-faith, written offer was made during the covered period to restore any reduction in hours of an individual who was an employee on 2/15/20](#) at the same salary and hours as prior to the reduction and the employee rejected the offer
- Employee [fired for cause, voluntarily resigned, or voluntarily requested and received a reduction in their hours](#) (but only up to the amount by which the hours were reduced)

Certain Compensation reductions do not impact loan forgiveness

Rule only applies to reductions of salary and wages

A **safe harbor** exists for reductions in wages (as compared to 2/15/20) that are restored by 12/31/20 or the date the application is submitted

- The multi-step calculation is in the application instructions – not on the application itself

Compensation may be reduced for employees making more than **\$100K per year** without affecting forgiveness

Loans of \$50,000 or less are exempt from any loan forgiveness reductions based on compensation reductions unless the borrower and affiliates received Round 1 PPP loans of \$2 million or more or Round 2 PPP Loans of \$2 million or more.

Applying for PPP Loan Forgiveness

Just as fun as filing your taxes!

Call your accountant, ask your bank if they have an online application, or follow these steps to do it yourself

Determine which loan forgiveness application your organization should utilize:

- SBA Form 3508S
- SBA Form 3508EZ
- SBA Form 3508

Regardless of which form you use you must retain supporting documentation to justify your loan forgiveness request

SBA Form 3508S

Who can use it?

The simplest form

- Only available for borrowers who took out loans that were \$150,000 or less.
- Form 3508S requires fewer calculations and less documentation than Forms 3508 and 3508EZ.



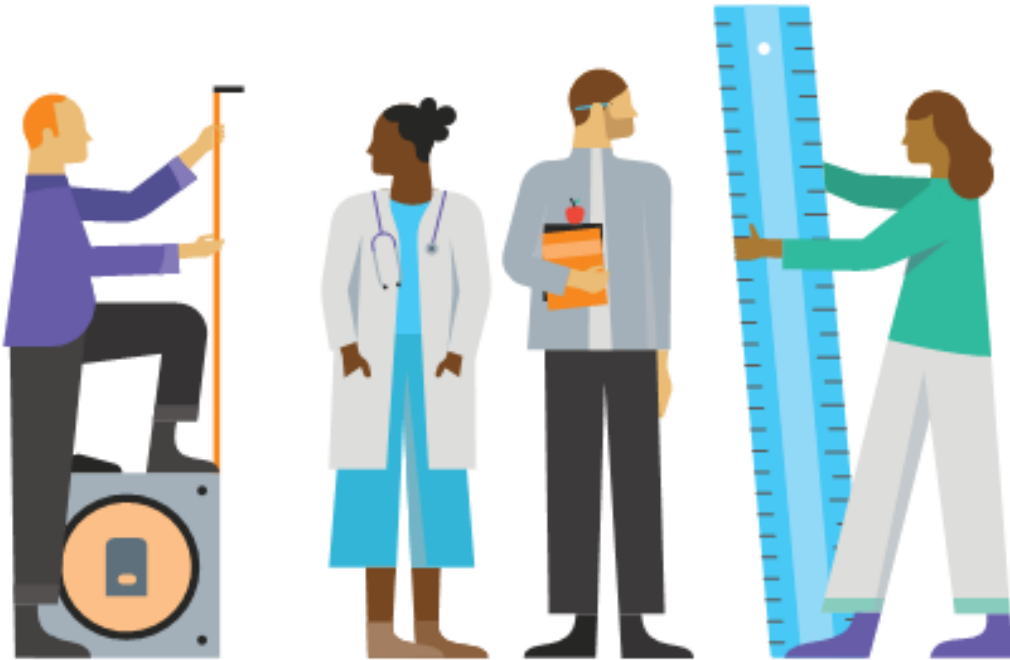
Two-page application broken down into:

- i. Signature/Authorization form
- ii. Demographic information form (optional)

SBA Form 3508EZ

Who can use it?

Simplified version of Form 3508



You can use this form if:

- ⑩ Are self-employed and have no employees
- ⑩ The organization did not reduce salaries by more than 25% and maintained employee FTEs, OR the organization did not reduce salaries by more than 25% and was unable to operate at the same level of business activity

Three-page application broken down into:

- i. Calculation form (top line information and lines 1-8)
- ii. Signature/authorization form
- iii. Demographic information form (optional)

SBA Form 3508

Who must use it?

Most complex forgiveness form



- Must use Form 3508, unless meet the criteria for using Form 3508EZ or Form 3508S
- Requires an additional calculation for borrowers who reduced their employee count and/or salaries
- Required to calculate payroll and nonpayroll costs using the 60/40% allocation of eligible payroll and non-payroll expenses

Five-page application broken down into:

- i. Calculation Form
- ii. Signature/Authorization Form
- iii. Schedule A
- iv. Schedule A worksheet
- v. Demographic information (optional)

Steps to follow if filing Form 3508

Call your accountant, ask your bank if they have an online application, or follow these steps to do it yourself

If using the full application Form 3508:

1. Read the [Paycheck Protection Program Instructions for Borrowers](#)... Twice
2. Gather the documents listed on [page 10](#)
3. Complete the *PPP Schedule A Worksheet* and reduction/Safe Harbor calculations on [page 4](#)
4. Complete *PPP Schedule A* on [page 3](#)
5. Complete the *PPP Loan Forgiveness Calculation Form* on [page 1](#)
6. Double check your calculations and certify on [page 2](#) before submitting to your bank

Tips and Exceptions

A few things to keep in mind!



For Second Draw PPP Loans in excess of \$150K, the borrower must submit its loan forgiveness application for the First Draw PPP Loan before or simultaneously with the loan forgiveness application for the Second Draw PPP Loan, even if the calculated amount of forgiveness on the First Draw PPP Loan is \$0.



A borrower with a loan of \$50K or less, is exempt from any reductions in the borrower's loan forgiveness amount based on reductions in FTE employees or reductions in salaries and wages that would otherwise apply.



Your lender is responsible for approving your loan forgiveness.

SBA says lenders should work with borrowers to remedy calculation errors or incomplete documentation in loan forgiveness applications

Choices Available in Application Calculations

Run the numbers and use the options that provide the greatest loan forgiveness to your organization

- The method for calculating **total FTEs** – based on 40-hour work week
 - Calculate hours of part-time employees based on ratio of hours worked to a 40-hour work week (i.e.: 30-hour work week = 0.75 FTE); **or**
 - Count all part-time employees as 0.5 FTE
- The **reference period** for calculating prior FTEs
 - (i) average # of 2019 FTEs, (ii) average # of FTEs in 12 months prior to application, or (iii) seasonal businesses can use average total monthly payments for payroll during any consecutive 12-week period between 5/1/19 and 9/15/19
- Special Rules for calculating forgiveness
 - Safe Harbor rules
 - Brought employees back to work by 12/31/20
 - Compensation may be reduced for employees who make more than \$100K per year without affecting forgiveness
 - Unable to return to same level of business activity prior to 2/15/20 due to safety requirements related to COVID-19

Thank You!

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Appendix

Resources

Guidance on the PPP is updated frequently. These are some trusted sources to stay up-to-date:

- Review the [PPP Loan Forgiveness Application](#)
- U.S. Dept of the Treasury's [Paycheck Protection Program](#) page
- SBA's [Paycheck Protection Program](#) page
- SBA and U.S. Dept of the Treasury [FAQs on loan forgiveness](#)
- FMA has a [PPP Toolbox](#) for nonprofit organizations with detailed [step-by-step instructions](#) for completing the forgiveness application