

Paycheck Protection Program Update

Presented by Jim Kahrs, President

June 24, 2020



Today's Agenda:

- Introduction
- Paycheck Protection Program Update
- Key Program Changes and Strategic Considerations
- Q & A

Introduction

Jim Kahrs

- More than 33 years in the office systems industry
- Started Prosperity Plus in 2001
 - Helping dealers and resellers achieve their goals by improving profit, cash flow & growth
- Our Programs
 - Mergers, acquisitions, succession planning
 - We have assisted more than 260 companies
 - Outsourced Marketing Department
 - Consulting based on industry experience combined with the Hubbard® Management System & Value Builder System®



Disclaimer: The information on the CARES Act, the Paycheck Protection Program, Paycheck Protection Flexibility Act of 2020 and other government support programs is changing rapidly. The data in this presentation has been compiled from numerous reliable sources, however, we cannot guarantee its accuracy.

Paycheck Protection Program Overview

- Two rounds of funds available, totaling \$659 billion
- As of June 22, 2020
 - \$515 billion in loans approved by SBA - Increase of \$4B since June 6
 - 4,666,560 individual loans - Increase of 134,677 since June 6
 - 29,557 loans above \$2 million – Decrease of 4,321 from round 1
 - 4,014,159 loans below \$150,000 – Increase of 131,294 since June 6
- SBA Frequently Asked Questions document is now 17 pages and was last updated on May 27th.
 - <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>
- Additional resources are also updated regularly by the Treasury Department including Interim Final Rules.
 - <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>



Paycheck Protection Program Flexibility Act

Highlights of the Act

- [Signed into Law on June 5, 2020](#)
 - Extends loan maturity
 - Extends loan payment deferral period
 - Extends the forgiveness period
 - Reduces the payroll amount required for forgiveness
 - Extends the Safe Harbor date for restoring headcount and salary levels
 - Creates a new exemptions based on employee availability
 - Removes restriction of federal payroll tax deferral



Paycheck Protection Program

Key Updates

- Updated lender process for forgiveness
- Updated timing guidance
- Updated loan term guidance
- Change to owner-employee allowable compensation
- Change to owner-employee allowable health insurance and retirement benefits
- Two forgiveness applications



Paycheck Protection Program Update

Lender Process for Forgiveness

- Forgiveness applications will be processed by lender.
- Lender will have 60 days to review and make decision.
- Lender decision submitted to SBA.
- SBA has 90 days to approve and fund lender
 - Forgiveness amount plus interest through the payment date will be paid to the lender.
- Bank must notify borrower of forgiveness decision.



Paycheck Protection Program Update

Updated Timing Guidance

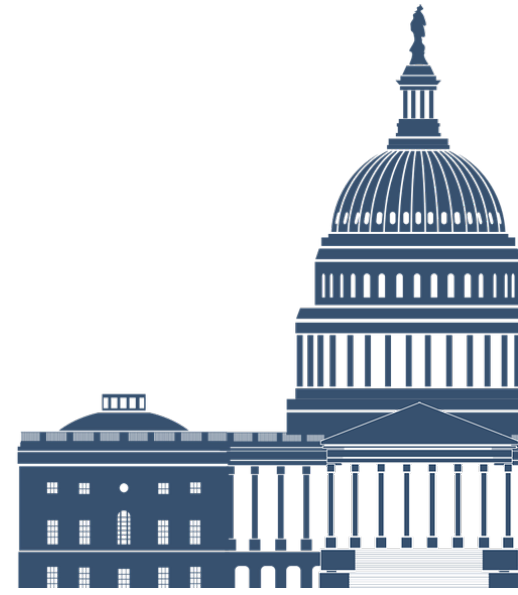
- *“A borrower may submit a loan forgiveness application any time on or before the maturity date of the loan – including before the end of the covered period – if the borrower has used all of the loan proceeds for which the borrower is requesting forgiveness.”*
 - Interim Final Rule on Revisions to Loan Forgiveness Interim Final Rule and SBA Loan Review Procedures, published June 22, 2020
- If a borrower does not apply within 10 months of the last day of the covered period, payments will need to be made.



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Updated Loan Term Guidance

- *“Section 2(a) of the Flexibility Act provides a minimum maturity of five years for all PPP loans made on or after the date of enactment of the Flexibility Act (June 5, 2020), and permits lenders and borrowers to extend the maturity date of earlier PPP loans by mutual agreement.”*
 - Interim Final Rule on Revisions to Loan Forgiveness Interim Final Rule and SBA Loan Review Procedures, published June 22, 2020



Paycheck Protection Program Update

Change to allowable owner-employee compensation

- *“Line 9: Enter any amounts paid to owners (owner-employees, a self-employed individual, or general partners). For Borrowers using a 24-week Covered Period, this amount is capped at \$20,833 (the 2.5-month equivalent of \$100,000 per year) for each individual or the 2.5-month equivalent of their applicable compensation in 2019, whichever is lower. For Borrowers using an 8-week Covered Period, this amount is capped at \$15,385 (the eight-week equivalent of \$100,000 per year) for each individual or the eight-week equivalent of their applicable compensation in 2019, whichever is lower.”*
 - SBA Form 3508 Loan Forgiveness Application



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Change to allowable owner-employee health insurance and retirement

- *“Line 6: Enter the total amount paid by the Borrower for employer contributions for employee health insurance, including employer contributions to a self-insured, employer-sponsored group health plan, but excluding any pre-tax or after tax contributions by employees. Do not add employer health insurance contributions made on behalf of a self-employed individual, general partners, or owner-employees of an S-corporation, because such payments are already included in their compensation.”*
- *“Line 7: Enter the total amount paid by the Borrower for employer contributions to employee retirement plans, excluding any pre-tax or after-tax contributions by employees. Do not add employer retirement contributions made on behalf of a self-employed individual or general partners, because such payments are already included in their compensation.”*
 - SBA Form 3508 Loan Forgiveness Application



Paycheck Protection Program Update

Two Forgiveness Applications

- SBA Form 3508 EZ
 - Reduced paperwork and calculations required
 - Must meet one of three criteria to use the EZ form
- SBA Form 3508
 - Very similar to previous version with updated language as noted earlier



Summary

- Good news - The program continues to align the interests of lenders and borrowers.
- Bad news – Program changes continue to erode owner allowances
- New guidance on timing along with ongoing changes make the application process very time sensitive!
- There will be more changes and guidance coming. Stay informed!
- We are still offering a program designed to help folks set their plan, monitor and update as changes are announced and submit the documentation needed for forgiveness. We will support you through the entire process.
 - The cost for the program is \$1,295.



Questions?

If you need help don't hesitate to call on us.

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Please stay safe and healthy!

