



SBA Financing Options Update – PPP Loan Forgiveness & EIDL

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Agenda

- A. SBA Small Business Relief Program
 - i. SBA Economic Injury Disaster Loan (EIDL)
 - a) Quick Update
 - ii. SBA Paycheck Protection Program (PPP)
 - a) Loan Forgiveness
- B. Q & A

Economic Injury Disaster Loan (EIDL)

- EIDL application portal reopened to eligible businesses on 06/15/2020;
- To apply: <https://covid19relief.sba.gov/#/>
- If you apply and depend on when, you will be receiving an email from U.S. SBA to open an account portal, it is strongly recommended that you complete the process as soon as possible;
- Adverse action has been issued for application who do not complete the verification of identity process;
- To follow up, contact 1-800-659-2955.

Paycheck Protection Program (PPP) - Update

- Information is current as of the date of presentation; check www.sba.gov or home.treasury.gov for most current information;
- Started on March 13, 2020 and is scheduled to end on June 30, 2020. It has been extended to Aug 8 or until funds made available are exhausted;
- Provide incentive for small businesses to keep their employees on payroll;
- Not a direct loan, have to apply with participating SBA Lenders on Guam;
- Only one PPP per borrower, can't re-apply after application has been processed, withdrawn, or returned.

Paycheck Protection Program (PPP) - Update

- Update of information – from Flexibility Act (June 5, 2020)
 - ❖ Maturity Date – for any portion of loan balance that is not forgiven
 - ✓ For loans made before 06/05/20, maturity is 2 yrs. – loan term can change from 2 yrs. to 5 yrs. based on borrower and lender mutually agreement on extending the maturity. Loans made after 06/05/20, maturity is 5 yrs.;
 - ❖ Loan forgiveness covered period – extended from 8 wks. to 24 weeks. For loans made before 06/05/20 to elect 8 wks or 24 weeks upon election.

Paycheck Protection Program (PPP) - Update

- Update of information – from Flexibility Act (June 5, 2020)
 - ❖ Deferral period – Submit loan forgiveness application within 10 months after end of loan forgiveness covered period, will not have to make any payments on principals and interests;
 - a. PPP loan disbursed on 06/25/20, 24 wks. period ends on 12/10/20, borrower should submit loan forgiveness application by 10/10/21; if not, borrower must begin making payments on or after 10/10/21

Paycheck Protection Program (PPP) - Update

- Definition of the overall “covered period” for PPP Loan program – begin on 02/15/20 and ending on 12/31/20 -
 - ❖ Full time equivalent employees (FTE)
 - a) Average # of hours paid per week / 40, round total to nearest tenth;
 - ✓ Employees who work 40 hours or more, capped at 1.0
 - ✓ Employees who work fewer hours, capped at 0.5
 - b) Compare periods – 02/15/19 to 06/30/19, 01/01/20 to 02/29/20, or seasonal employers, one of the periods: first two indicated above or any consecutive 12 week period between 05/01/19 and 09/15/19.

Paycheck Protection Program (PPP) - Update

- FTE Reduction Exceptions
 - a) Made good-faith, written offer to rehire an individual who was an employee on 02/15/20 and unable to hire similarly qualified employees for unfilled positions on or before 12/31/20;
 - b) Made good faith, written offer to restore any reduction in hours, at the same salary or wages and the employee rejected the offer;
 - c) Made good faith, written offer to any employees were either (1) fired for cause, (2) Voluntarily resigned, or (3) Voluntarily requested and received a reduction of their hours;
 - d) If a position was not filled by a new employee, any FTE reductions do not reduce borrower's loan forgiveness.

Paycheck Protection Program (PPP) - Update

- FTE Reduction Safe Harbors
 - ❖ Borrower in good faith, able to document unable to operate between 02/15/20 and the end of covered period at the same level of activity as before 02/15/20 due to compliance of requirement established or guidance issued between 03/01/20 and 12/31/20; or
 - ❖ Meet both of the following conditions:
 - ✓ Reduced FTE employees beginning 02/15/20 and ending 04/26/20; and
 - ✓ Restored FTE employees level by not later than 12/31/20 to levels the borrower's pay period that included 02/15/20.

Paycheck Protection Program (PPP) - Update

- Salary & Wages of employees
 - ❖ Compare salaries and wages were reduced by more than 25% compared to 01/01/20 through 03/31/20;
 - ❖ Salary/Hourly Wage Reduction Safe Harbor;
 - ❖ Refer to page 4 of the SBA Form 3508;

Step 1. Determine if pay was reduced more than 25%.

- Enter average annual salary or hourly wage during Covered Period or Alternative Payroll Covered Period: _____
- Enter average annual salary or hourly wage between January 1, 2020 and March 31, 2020: _____
- Divide the value entered in 1.a. by 1.b.: _____
If 1.c. is 0.75 or more, enter zero in the column above box 3 for that employee; otherwise proceed to Step 2.

Step 2. Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.

- Enter the annual salary or hourly wage as of February 15, 2020: _____
- Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020: _____
If 2.b. is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c.
- Enter the average annual salary or hourly wage as of the earlier of December 31, 2020 and the date this application is submitted: _____
If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met - enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.

Step 3. Determine the Salary/Hourly Wage Reduction.

- Multiply the amount entered in 1.b. by 0.75: _____
- Subtract the amount entered in 1.a. from 3.a.: _____

If the employee is an hourly worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

- Enter the average number of hours worked per week between January 1, 2020 and March 31, 2020: _____
- Multiply the amount entered in 3.b. by the amount entered in 3.c. _____ Multiply this amount by 24 (if Borrower is using a 24-week Covered Period) or 8 (if Borrower is using an 8-week Covered Period): _____ Enter this value in the column above box 3 for that employee.

If the employee is a salaried worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

- Multiply the amount entered in 3.b. by 24 (if Borrower is using a 24-week Covered Period) or 8 (if Borrower is using an 8-week Covered Period): _____ Divide this amount by 52: _____ Enter this value in the column above box 3 for that employee.

Paycheck Protection Program (PPP) - Update

- Covered Period – Payroll
 - ❖ 24 week or 168-day period beginning on the date of loan disbursement; or
 - ❖ If borrower received before 06/05/20, may elect to use 8 week or 56-day covered period;
 - ❖ In no event, may the covered period extend beyond 12/31/20;

Paycheck Protection Program (PPP) - Update

- Alternative Payroll Covered Period
 - ❖ For Borrowers with a biweekly payroll schedule –
 - ✓ 24 week or 168-day period; or
 - ✓ 8 week or 56-day period (loan received before 06/05/20 upon election);
 - ✓ Begins on the 1st day of the first pay period following their PPP loan disbursement date;
 - ✓ In no events, the alternative payroll covered period extend beyond 12/31/20.

Paycheck Protection Program (PPP)

- Eligible Payroll Cost –

- ❖ Paid on the day that paychecks are distributed or origination of ACH credit
- ❖ Incurred but not paid; eligible payroll cost if paid on or before the next regular payroll date.
- ❖ Payroll cost definition -
 - ✓ Salary, Wages, Commission or similar compensation (cap at \$100K and whose principal place of residence in the US);
 - ✓ Payment of cash tips or equivalent;
 - ✓ Payment on vacation, parental, family, medical, or sick leave;
 - ✓ Allowance for dismissal or separation;
 - ✓ Payment required for group health care benefits, including insurance premiums;
 - ✓ Payment of any retirement benefits;
 - ✓ Payment of State and local tax assessed on the compensation of employees;
 - ✓ Wages, commissions, income or net earnings from self employments or similar compensation.

Paycheck Protection Program (PPP)

- Eligible Nonpayroll Cost – incurred before 02/15/2020
 - ❖ Mortgage Obligations – mortgage interest, business mortgage obligation on real or personal property;
 - ❖ Rent Obligations – business rent or lease payments for real or personal property;
 - ❖ Utility payments – business payments for a service for distribution of electricity, gas, water, telephone, transportation, or internet access;
 - ❖ Must be paid during the covered period OR incurred during the covered period and paid on or before the next regular billing date, even billing date is after the covered period.

Paycheck Protection Program (PPP)

- Loan Forgiveness Application
 - ❖ Forgiveness application has to submit within 10 months after the end of loan forgiveness covered period;
 - ❖ Can be forgivable in full up to the full principal amount of the loan and any accrued interest;
 - ❖ To receive full forgiveness – at least 60% of PPP loan for payroll costs while not more than 40% to nonpayroll cost;
 - ❖ Example – Borrower received a \$100K PPP loan, spent \$54K on payroll costs, because borrower used less than 60% on payroll costs, max. loan forgiveness amount is $\$54K / 60\% = \$90K$ (\$54K in payroll cost – 60% and \$36K in nonpayroll cost – 40%).

Paycheck Protection Program (PPP)

- Loan Forgiveness for Self Employed Individuals, independent contractors, or Sole Prop -
 - ❖ Eligible to use the new EZ Loan Forgiveness Application if meet certain conditions;
 - ❖ Limit to eight weeks' worth (8/52) of 2019 net profit – up to \$15,385 or 2.5 months' worth (2.5/12) of 2019 net profit – up to \$20,833;
 - ❖ Other requirements for FTE, Wages & Salaries reduction also applies.

Paycheck Protection Program (PPP)

- Other Factors to Consider:
 - ❖ All records relating to the loan must be maintained for 6 years after loan forgiveness or the loan is paid in full AND you must permit inspection of those documents on request;
 - ❖ Certify that – business did not reduce # of employees or average paid hours between 01/01 and the end of covered period AND that you were unable to operate at the same level of business activity due to COVID19 related compliance;
 - ❖ Certify also not more than 40% of the forgiven amount may be used for nonpayroll costs.

Paycheck Protection Program (PPP)

- Regular Form vs. EZ Form

The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).

The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee’s hours that the Borrower offered to restore and the employee refused. See [85 FR 33004](#), 33007 (June 1, 2020) for more details.

The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

Paycheck Protection Program (PPP)

- Supporting Documentation for Regular Loan Forgiveness Application
 - ❖ Schedule A
 - ✓ Payroll - Bank account statement or third party payroll service providers / Tax forms (Form 941), and Quarterly withholding form / Payment receipts (cancelled checks, account statements);
 - ✓ FTE – Tax forms (Form 941), and Quarterly withholding form;
 - ✓ Non Payroll – receipts or cancelled checks of payments, lender account statement, current lease agreement, copy of invoices.

Paycheck Protection Program (PPP)

- Regular Loan Forgiveness Application - Documents that each borrower must maintain but not required to submit:
 - ❖ Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the “Salary/Hourly Wage Reduction” calculation;
 - ❖ Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000;
 - ❖ Documentation regarding any employee job offers and refusals, refusals to accept restoration of reductions in hours, firings for cause, voluntary resignations, written requests by any employee for reductions in work schedule, and any inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020;
 - ❖ Documentation supporting the certification and this documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records;
 - ❖ Documentation supporting the PPP Schedule A Worksheet “FTE Reduction Safe Harbor 2.”

Paycheck Protection Program (PPP)

- Supporting Documentation for EZ Loan Forgiveness Application
 - ❖ Payroll: Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period;
 - ✓ Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees. Tax forms (or equivalent third-party payroll service provider reports);
 - ✓ Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941);
 - ✓ State quarterly business and individual employee wage reporting;
 - ✓ Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans;
 - ❖ Nonpayroll: Documentation verifying existence of the obligations/services prior to February 15, 2020;
 - ✓ Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements;
 - ✓ Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments;
 - ✓ Business utility payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

Paycheck Protection Program (PPP)

- EZ Loan Forgiveness Application - Documents that each borrower must maintain but not required to submit:
 - ❖ Documentation supporting the certification that annual salaries or hourly wages were not reduced by more than 25 percent; this documentation must include payroll records that separately list each employee and show the amounts paid to each employee during the period between January 1, 2020 and March 31, 2020, and the amounts paid to each employee during the Covered Period or Alternative Payroll Covered Period;
 - ❖ Documentation regarding any employee job offers and refusals, refusals to accept restoration of reductions in hours, firings for cause, voluntary resignations, written requests by any employee for reductions in work schedule, and any inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020;
 - ❖ Documentation supporting the certification, if applicable, that the Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period (other than any reductions that arose from an inability to rehire individuals who were employees on February 15, 2020, if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020). This documentation must include payroll records that separately list each employee and show the amounts paid to each employee between January 1, 2020 and the end of the Covered Period.

Paycheck Protection Program (PPP)

- EZ Loan Forgiveness Application - Documents that each borrower must maintain but not required to submit: Cont.
 - ❖ Documentation supporting the certification, if applicable, that the Borrower was unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 -
 - ✓ This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records.

Paycheck Protection Program (PPP)

- Resource to help and navigate the PPP loan forgiveness application:
 - ❖ AICPA.org - <https://future.aicpa.org/resources/toolkit/paycheck-protection-program-resources-for-cpas>
 - ✓ Loan Forgiveness Calculator – Use this for Schedule A Supporting documentation
<https://future.aicpa.org/resources/download/ppp-loan-forgiveness-calculator-excel>
 - ❖ Treasury web site - <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

Resource Available For Business



www.pacificsbdc.com

- Guam SBDC offers:
 - a) FREE one on one counseling;
 - ❖ Fred Granillo
 - ❖ Jane Ray
 - ❖ Angel Paulino
 - b) Trainings
 - Start up / Business Mgmt



Q & A

Send in your questions in the chat box or contact us directly!

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