

Massachusetts Equitable PPP Access Initiative

GOT YOUR  LOAN?
**MAXIMIZE YOUR STIMULUS FUNDING
AND GET IT FORGIVEN**

Thursday, May 21, 2020 | 6:00 - 7:00 pm

About the Massachusetts Equitable PPP Access Initiative

Small and Minority Businesses Missed out on \$349 Billion of Forgivable Loans in PPP Round 1

- Lack of Banking Relationships
- Confusing Program
- Funding Gone in Just 13 Days

A Coalition of 40+ Organizations Formed to Provide Timely, Equitable Access to PPP Loans in Round 2:

- Business Support Organizations
- Community Development Financial Institutions
- Banks
- Foundations & Government Entities

Equitable PPP Access Initiative Members & Supporters



Goals of This Webinar

Maximize Forgiveness of Your PPP Loan

Overview of Forgiveness Rules

More Detailed Guidance Online

Get Technical Assistance and Other
Resources

(Get Help Applying if Still Needed)

Welcome!

Moderator



Betty Francisco

GC at Compass Working
Capital & Co-founder of
Amplify Latinx



**Nicole Almeida,
CFMP**

Senior Vice President &
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Officer, BayCoast Bank



**Luis J. Román,
Ph.D,**

Partner, Surfside
Capital Advisors LLC



Amine Benali, CFA

Managing Director of Strategy
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Enterprise Assistance Fund



**Roberta Chirco,
CPA**

Director, Kevin P. Martin &
Associates, P.C.

Logistics

- Attendees will be muted during the session, except during Q&A
- To ask questions, please use the Q&A box on the Zoom Toolbar or wait until the end of the presentation and raise your hand to speak and we will unmute you
- Session recording will be sent to you by Friday
- Please complete the survey that will be sent to you so we can get your feedback

Follow our presenters on social media: **#EquitablePPP**

@BayCoastBank
@AmplifyLatinx
@SurfCapAdvisors
@LEAF_FUND
@KPMCPA
@LISC_BOSTON



POWERUP
LATINX BIZ



LISC
BOSTON

POLL

About the SBA Paycheck Protection Program:

Your Loan is Forgivable, but only if:

- Funds are spent on certain eligible costs;
- Funds are spent during a certain time period ;
- You comply with certain other requirements; and
- You submit a complete application for forgiveness
- You provide backup for every cost

Challenges for small businesses:

- Eligible costs may not match your most urgent needs
- Focus on payroll, but your business may be shut down
- You or your employees may make more under Pandemic Unemployment
- Forgiveness rules are not clear and the SBA is still writing some of them

Follow this Checklist to help maximize your chance of having your PPP loan forgiven:



Keep your PPP loan proceeds in a separate account



Know your eight-week period



Make a PPP spending plan



Compare payroll to pandemic unemployment benefits



Consider your recovery plan

1 | Keep Your PPP Loan Proceeds in a Separate Account

Why?

To help you track every expenditure of funds

How?

- If your lender required you to set up a new bank account, keep the funds there.
- If not, create a segregated account.

You can close this account once forgiveness of your loan is confirmed.

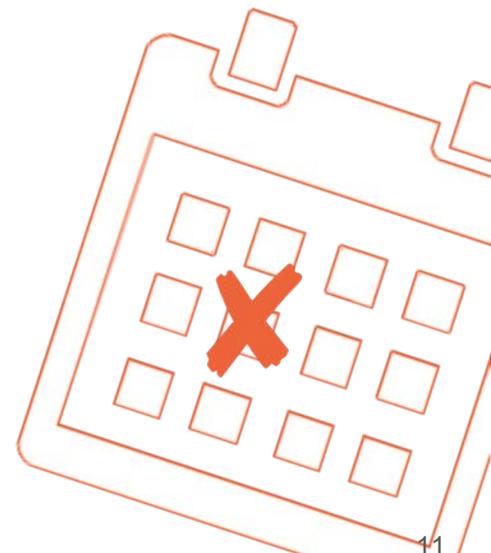
You will thank yourself later!

2 | Determine your Eight-week “Covered Period”

PPP loan proceeds must be spent on eligible costs incurred or paid during an eight week (56-day) “Covered Period”.

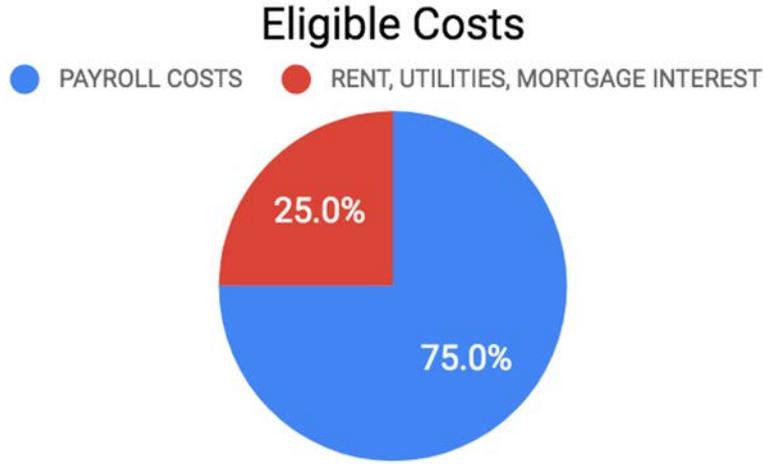
- The Covered Period begins on the date that you first received the funds from the lender.
For example, if you received funds today, your 8 week spending period would begin today and end on July 15, 2020.

(There are a few payroll costs where SBA will let you use a slightly different “alternative payroll covered period.”)



3 | Make a PPP spending plan

PPP loan proceeds will only be forgiven if they are spent on certain, very specific costs.



INELIGIBLE COSTS
EVERYTHING ELSE





Payroll does include:

- Cash Tips
- Payment for vacation or other leave time;
- Payment for employee benefits like health care insurance premiums, and retirement contributions
- State and local payroll taxes assessed on compensation of employees;
- Wages, commissions, income, or net earnings for sole proprietors, independent contractors and self-employed workers



Payroll does NOT include:

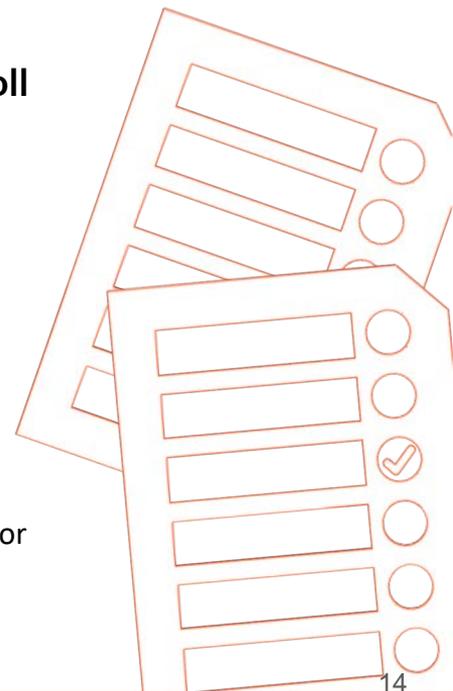
- Individual employee pay over \$100,000 per year
- Pay for employees who live outside the U.S.
- Income over \$100,000 per year for sole proprietors, independent contractors, and self-employed workers
- Health care and retirement benefits for sole proprietors, independent contractors and self-employed workers
- Sick leave under the Families First Coronavirus Response Act

3 | Make a PPP spending plan (continued)

You Can Align Your Covered Period with Your Payroll Period (for certain purposes)

If you pay your employees biweekly or more frequently, you can align your payroll payments by using an 8 week Alternative Payroll Covered Period (APCP).

- Starts on first day of the pay period after the date you receive loan proceeds
- Use this period only for calculating forgiveness-eligible payroll costs
- Include payroll costs paid or incurred during the APCP, and costs paid after the end of the APCP, but on or before the next regular payroll date
 - Example: you received funds today, you use a weekly pay period that runs Sunday - Saturday and paid the following Friday. The APCP would begin Sunday, May 24th - Saturday July 18th, and payroll for the week ending July 18th would need to be paid on or before Friday, July 24th.



3 | Make a PPP spending plan (continued)

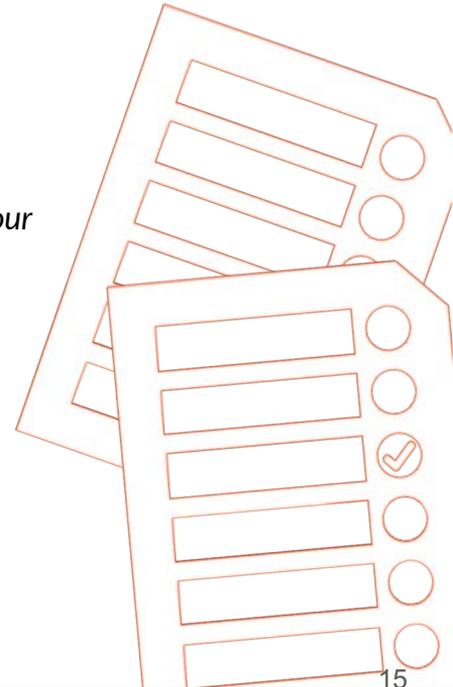
Budget Up to 25% for rent, utilities and mortgage Interest:

- Mortgage interest is eligible
- Mortgage principal payments are not eligible.
- Your lease, mortgage or service agreement must have been in effect before February 15, 2020.

Example: *If your PPP loan is \$10,000, only \$2,500 of loan proceeds can be spent on these costs. If your actual costs are greater, you will have to use other funds.*

Any other costs paid will not be forgiven:

- PPP loan proceeds spent on any other costs will not be forgiven (supplies, inventory, insurance, PPE, reopening costs)
- PPP funds spent on these will need to be repaid starting in six months



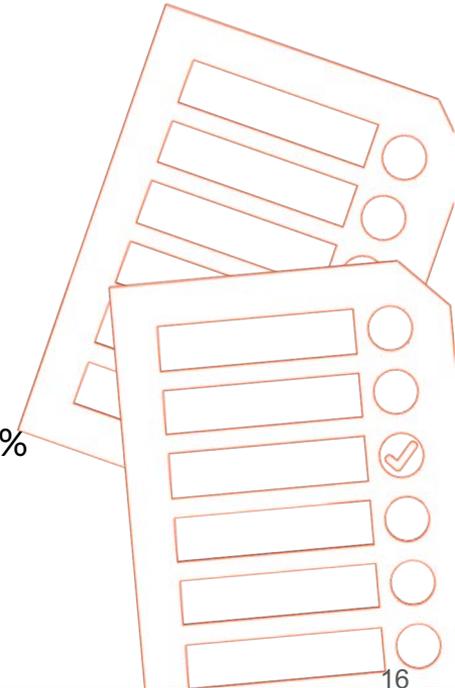
3 | Make a PPP spending plan (continued)

Partial Forgiveness is an Option

You may decide that you will spend some of your loan on eligible costs, and some on ineligible costs. Part of your loan will be forgiven, and the rest must be repaid.

Payroll Reductions Could Reduce Forgiveness

- If you had to lay off employees or reduced wages by more than 25% during your Covered Period, it may reduce the amount of your PPP loan that is eligible for forgiveness.
- FTE Safe Harbor may help if you restore your number of FTEs to February 15, 2020 level by June 30
- Wage Reduction Safe Harbor may help if you return pay rates to at least 75% of the pay rate as of February 15, 2020



4 | Compare payroll to pandemic unemployment benefits

Employees and independent contractors may be eligible for Pandemic Unemployment Assistance and related benefits .

Consider which one will pay you/your employees more.

- Anyone being paid with the proceeds of your PPP loan can not also receive unemployment compensation for the same period
- If you offer their job back and they decline, you need to put both offer and refusal in writing, then hire and pay someone else, to get forgiveness
- Employees refusing a rehire offer should make sure that doing so does not jeopardize their unemployment compensation



Forgiveness Examples

No Reduction in FTEs
No Reduction in Wages
Payroll >75%

No Reduction in Forgiveness

Loan Forgiveness Calculator	
SBA Loan Amount (PPP)	\$ 100,000
Payroll Costs (Line 1)	\$ 80,000
Business Mortgage Interest Payments (Line 2)	\$ -
Business Rent or Lease Payments (Line 3)	\$ 2,000
Business Utility Payments (Line 4)	\$ 600
Loan Forgiveness (before required reductions)	\$ 82,600
<i>Reduction in Loan Forgiveness</i>	
Average FTE Before PPP Forgiveness Application	10
Average FTE Before PPP Application	10
Total Salary/Hourly Wage Reduction (Schedule A Line 3) (Line 5)	\$ -
AMOUNT AFTER FIRST REDUCTION (Line 6)	\$ 82,600
FTE Reduction Quotient (Schedule A Line 13) (Line 7)	100%
Forgiveness Amount (Line 11) (AMOUNT AFTER SECOND REDUCTION)	\$82,600

Forgiveness Examples

20% Reduction in FTEs
No Reduction in Wages

Forgiveness Reduced by 20%

Loan Forgiveness Calculator	
SBA Loan Amount (PPP)	\$ 100,000
Payroll Costs (Line 1)	\$ 80,000
Business Mortgage Interest Payments (Line 2)	\$ -
Business Rent or Lease Payments (Line 3)	\$ 2,000
Business Utility Payments (Line 4)	\$ 600
Loan Forgiveness (before required reductions)	\$ 82,600
<i>Reduction in Loan Forgiveness</i>	
Average FTE Before PPP Forgiveness Application	8
Average FTE Before PPP Application	10
Total Salary/Hourly Wage Reduction (Schedule A Line 3) (Line 5)	\$ -
AMOUNT AFTER FIRST REDUCTION (Line 6)	\$ 82,600
FTE Reduction Quotient (Schedule A Line 13) (Line 7)	80%
Forgiveness Amount (Line 11) (AMOUNT AFTER SECOND REDUCTION)	\$66,080

Forgiveness Examples

20% Reduction in FTEs
50% Reduction in Wages

Forgiveness Reduced by
almost 50%

Loan Forgiveness Calculator	
SBA Loan Amount (PPP)	\$ 100,000
Payroll Costs (Line 1)	\$ 80,000
Business Mortgage Interest Payments (Line 2)	\$ -
Business Rent or Lease Payments (Line 3)	\$ 2,000
Business Utility Payments (Line 4)	\$ 600
Loan Forgiveness (before required reductions)	\$ 82,600
<i>Reduction in Loan Forgiveness</i>	
Average FTE Before PPP Forgiveness Application	8
Average FTE Before PPP Application	10
Total Salary/Hourly Wage Reduction (Schedule A Line 3) (Line 5)	\$ 32,000
AMOUNT AFTER FIRST REDUCTION (Line 6)	\$ 50,600
FTE Reduction Quotient (Schedule A Line 13) (Line 7)	80%
Forgiveness Amount (Line 11) (AMOUNT AFTER SECOND REDUCTION)	\$40,480

5 | Consider your recovery plan

Does my PPP spending plan make sense for my business?

If maximizing forgiveness means you will take actions that don't make sense for you or your employees, or don't support your larger recovery plan, you may want to consider managing your PPP loan differently.

What other options do I have?

What if forgiveness doesn't work for my business?

Option 1

Use the PPP Loan as a Working Capital Loan

- 1% interest rate
- No payments for 6 months
- No collateral
- No personal guaranty
- No credit check

But you will need to plan for repayment within 2 years.

Option 2

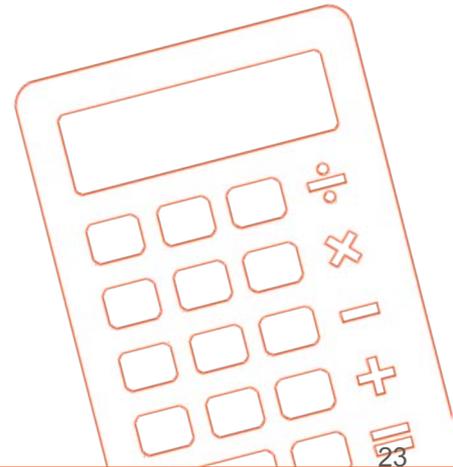
Repay or hold on to the PPP Loan Proceeds

- You can repay your loan anytime
- Hold the funds until program rules become clearer
- SBA may provide more flexibility
- You can still repay it later

But modest interest may accrue at 1%.

Four Rules to Follow While Spending Your PPP Loan Proceeds

1. Follow your plan
2. Keep clear records of every expenditure of PPP loan proceeds
3. Watch for SBA guidance, consult experts & adjust plan if needed
4. Stay in touch with your lender & apply for forgiveness



1 | Follow your plan:

Decision making about how to spend the funds will be much easier if you make them in the planning process, and then just follow your plan

2 | Keep clear records of every expenditure of PPP loan proceeds

Every dollar submitted for forgiveness will need to be supported with documentation showing it was spent on eligible costs.

- Payroll Reports & Tax Filings
- Unemployment Tax Filings
- Payroll Records from 2019 & 2020
- Copies of Your Lease & Utility Bills
- Account Statements
- Cancelled Checks & Receipts

3 | Watch for SBA guidance, consult experts and adjust your plan if needed

The rules are still being written.

The PPP program is an emergency program, so the SBA accelerated funding without having all of the rules and procedures for forgiveness in place.

- The forgiveness application was just published last Friday
- SBA forgiveness guidance is expected to be issued next week
- Advocates are pushing for more flexibility on forgiveness and elimination or relaxation of the 75% rule.
- Tax treatment of loan proceeds and forgiveness is not yet clear

4 | Stay in touch with your lender & apply for forgiveness

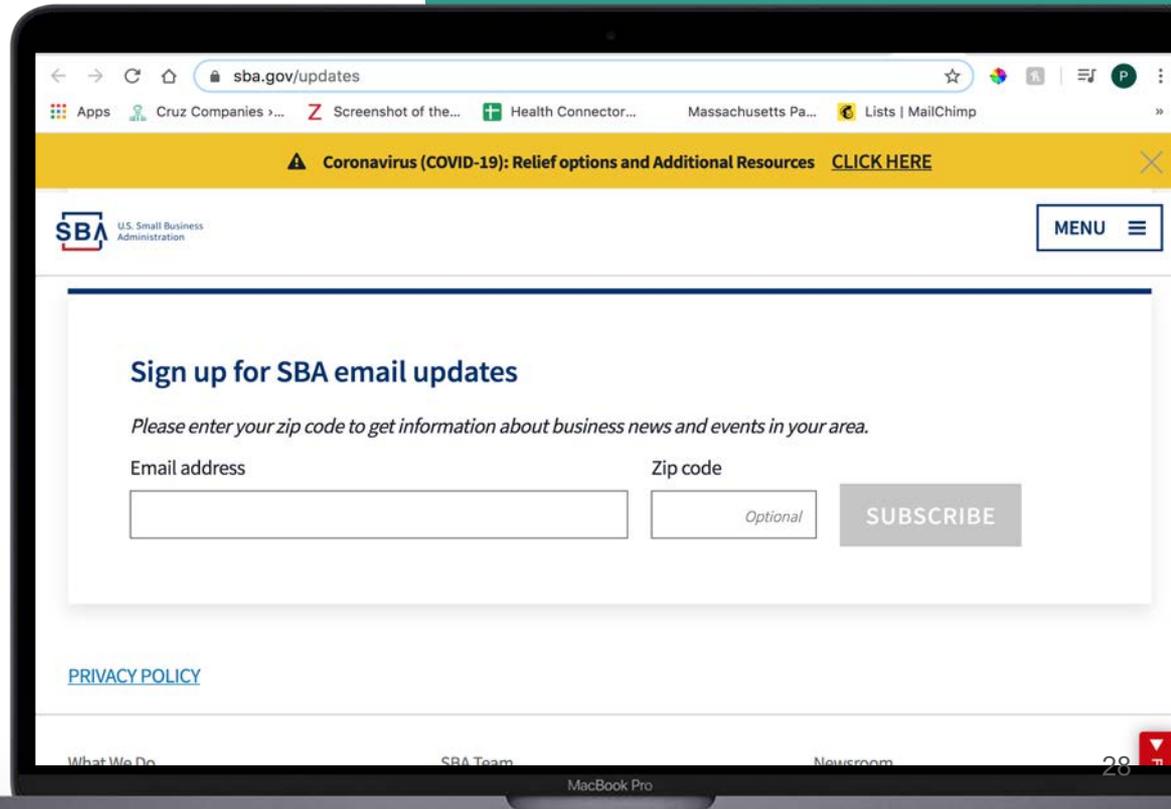
Forgiveness of the eligible portion of your loan is not automatic. You must apply to your lender.

- The PPP Loan Forgiveness Application is available on the SBA's website, but will need to be submitted to your lender.
- You cannot complete the form or provide backup documentation until at least the end of your Covered Period (longer in certain cases).
- Consult with your lender about their process
- If your lender sells your loan - the new lender may process your forgiveness application.

Where can I get more help?

SBA Resources:

- [Program Rules & Frequently Asked Questions](#)
- [Sign up to receive SBA updates on their website](#)



Equitable PPP Access Initiative members providing technical assistance



Sign up for technical assistance by filling out a short form here:

bit.ly/equitableppp

Other Technical Assistance

The same document includes references to other resources and technical assistance providers who can help you navigate the PPP program and otherwise help your business navigate the challenges of the COVID-19 pandemic and resulting economic crisis.

- [Massachusetts Growth Capital Corporation](#)
Technical assistance in 19 languages beyond English and translations of the PPP application.
- [Federal Reserve Bank of Boston](#)
Lenders who will take your PPP application and a list of TA providers.
- [The SCORE Association](#)
Volunteer mentors to work 1-1 with you.
- [Greater New England Minority Supplier Development Council \(GNEMSDC\)](#)
Technical assistance applying for PPP and other financing.

Legal Assistance

Free legal assistance is also available to help you navigate the challenges your business is facing.

- [Lawyers for Civil Rights](#) provides free legal assistance, business support and technical assistance to minority, immigrant and women business owners, ensuring they encounter fewer obstacles and more opportunities.
- [Covid Relief Coalition](#) is a coalition of law firms, nonprofits and governmental agencies in Massachusetts that has joined forces to help small businesses and nonprofits in the greater Boston area access emergency loans and other sources of relief.

Other types of financing

Most grant programs are only available for a short period of time.

- **Municipal Small Business Relief Grants** - Check with your city or town.
- [State Small Business Relief](#) - Look for CDBG-funded state assistance
- [Restaurant Strong Fund](#) - \$1000 grants for restaurant workers
- [Lawyers for Civil Rights](#) - \$1000 grants for PPE purchase
- [LISC Small Business Recovery Grants](#) - Up to \$10,000, multiple rounds
- [Business Equity COVID-19 Emergency Fund](#)
- [LISC Kiva Loans](#)
- [Capital Good Fund Crisis Relief Loans](#)
- [Combined Jewish Philanthropies Interest Free Loan Program](#)
- [Eastern Bank Loan Funds](#)

Time for Q&A!

More Detailed Guidance

- [Managing Your PPP Loan - A Checklist for Forgiveness](#)
- **PPP Loan Track with Forgiveness Calculator**

#equitableppp



<https://powerup.amplifylatinx.co/covid-19-resources/>



<https://www.lisc.org/boston/>



Thank you!