

Paycheck Protection Program (PPP) Forgiveness

Presented by North Shore Bank

The following information was presented on
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Agenda



- ▶ North Shore Bank PPP Overview
- ▶ Applying for Forgiveness for NSB customers
- ▶ Applying for Forgiveness for non-NSB customers
- ▶ PPP Forgiveness Application Forms
- ▶ PPP Forgiveness Timeline
- ▶ Common Customer Questions
- ▶ Required Supporting Documents
- ▶ Salary/FTE Reductions
- ▶ PPP & EIDL Advances
- ▶ Questions & Answers

NSB PPP Overview



- ▶ NSB approved 777 PPP Loans
- ▶ Total loans were \$80.1 Million
- ▶ The average loan size was \$103,200

NSB PPP Forgiveness



- ▶ 219 Forgiveness applications have been sent to the SBA for forgiveness
- ▶ Applications received and in process at NSB=40
- ▶ Applications in process by customers=124
- ▶ Of the 219 sent to the SBA, 143 have been “fully forgiven” and 5 have received partial forgiveness (at the request of the Borrower).
- ▶ Of the 143 “Fully Forgiven” 93 were paid in full and 50 have a balance remaining equal to the amount of their original EIDL advance.

NSB Forgiveness Information



- ▶ PPP Loan Information is available here:

northshore-bank.com/PPP-Loan-Forgiveness.aspx

- ▶ If you received your PPP Loan from North Shore Bank you can apply for forgiveness online here:

forms.onlineaccountaccess.com/secure1/forgive/northshorebank/

PPP Forgiveness Applications



- ▶ **Form 3508S** [Loan Forgiveness Application Form 3508S](#)
- ▶ [Loan Forgiveness Application Form 3508S Instructions](#)

- ▶ **Form 3508EZ** [Loan Forgiveness Application Form EZ](#)
- ▶ [Loan Forgiveness Application Form EZ Instructions](#)

- ▶ **Form 3508** [Loan Forgiveness Application Form \(revised 6/16/2020\)](#)
- ▶ [Loan Forgiveness Application Form Instructions \(revised 6/16/2020\)](#)

- ▶ All forms and applications can be found at the U.S. Treasury Website: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

- ▶ You can apply for forgiveness of your PPP loan using this Form only if the total PPP loan amount you received was \$50,000 or less. However, a borrower that, together with its affiliates received PPP loans totaling \$2 million or more cannot use this form.
- ▶ Borrowers that use SBA Form 3508S are exempt from reductions in loan forgiveness amounts based on reductions in full-time equivalent (FTE) employees or reductions in salaries or wages.

- ▶ You can apply for forgiveness of your PPP loan using this Form if any one of these statements applies:
 1. You are a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application.
 2. 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 Covered Period compared to the period between January 1, 2020 and March 31, 2020 (does not include employees who made 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.
 3. 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 Covered Period compared to the period between January 1, 2020 and March 31, 2020 (does not include employees who made 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.

Form 3508



- ▶ If you do not qualify for Form 3508S or Form 3508EZ, then you will need to use this form to apply for forgiveness.

PPP Forgiveness Deadline



- ▶ 10 months after the end of the borrower's loan forgiveness covered period.
- ▶ Ex./: If your loan was disbursed on April 15 and you choose a 24-week covered period ending Oct. 15, you must apply for forgiveness by 10 months from that date or Aug. 15, 2021.

Forgiveness Timeline



- ▶ Upon completion of your application for Forgiveness the Bank has 60 days to process/verify your request and send it to the SBA for consideration.
- ▶ The SBA has 90 days to process the request and send payment to the Bank.

Do You Need to Make Payments?



- ▶ Principal and interest payments were originally deferred for 6 months.
- ▶ The law was then amended to extend the deferral period to the date that the SBA remits the borrower's loan forgiveness amount to the lender.

Covered Period



- ▶ Borrowers who received their loan prior to June 5 can choose between an 8-week covered period or a 24-week covered period.
- ▶ Borrowers who received their PPP loan on or after June 5 have a 24-week covered period.
- ▶ The covered period begins on the date of disbursement.

Alternative Payroll Covered Period



- ▶ Alternative Payroll Covered Period: For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the 8-week or 24-week period that begins on the first day of their first pay period following their PPP Loan Disbursement Date.
- ▶ For example, if the Borrower is using a 24-week Alternative Payroll Covered Period and received its PPP loan proceeds on Monday, April 20th, and the first day of its first pay period following its loan disbursement is Sunday, April 26th, then the first day of the Alternative Payroll Covered Period is April 26th and the last day of the Alternative Payroll Covered Period is Saturday, October 10th.
- ▶ Note: The Alternative Payroll Covered Period only applies to payroll costs and not to other eligible costs.

What Qualifies for Forgiveness?



- ▶ At least 60% of your loan must have been spent on Payroll during the covered period (or alternative payroll covered period).
- ▶ If your payroll during the covered period exceeds 100% of your PPP loan amount, then you only need to claim payroll expenses.
- ▶ Payroll is defined as: compensation to employees (whose principal place of residence is the United States); cash tips; payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes (at company level); and for an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation

Payroll Supporting Documents



- ▶ In order to request forgiveness of your PPP loan based on payroll costs, you will need to provide evidence in the form of:
- ▶ Bank statements or
- ▶ Payroll service provider documents or
- ▶ 941 Tax forms or
- ▶ Cancelled checks
- ▶ Note Internally prepared documents are not acceptable

What Qualifies For Forgiveness?



- ▶ The other 40% could have been spent on:
- ▶ Mortgage interest payments
- ▶ Utilities (gas, electric, water/sewer, phone and internet)
- ▶ Rent payments

Mortgage Interest, Utilities & Rent



- ▶ All contracts must have been in place prior to Feb. 15, 2020. Borrower must provide copies contracts/leases/bills in effect prior to Feb. 15 and copies of all statements and proof of payments (canceled checks or bank statements).
- ▶ Example: If you are claiming the expense for a utility bill, you must provide: 1) proof that you had utilities in place prior to Feb. 15, 2) a copy of the utility bill, and 3) proof of payment of that bill.

Costs You Can Include



1. Costs incurred and paid during the covered period.
2. Costs incurred prior to the covered period but paid during the covered period.
3. Costs incurred during the covered period but paid after the covered period (as long as it is paid with the next regular bill).

Salary Reduction



- ▶ How do borrowers calculate the reduction in their loan forgiveness amount arising from reductions in employee salary or hourly wages?
- ▶ Certain pay reductions during the Covered Period (or Alternative Payroll Covered Period) may reduce the amount of loan forgiveness. If the wages of an employee are reduced by more than 25% during the Covered Period, the portion in excess of 25% reduces the eligible forgiveness amount unless the borrower satisfies the Safe Harbor.
- ▶ Do not count anyone that was used as an FTE reduction if that applies.
- ▶ You can use Schedule A to calculate the salary reduction and determine if a Safe Harbor applies.

- ▶ Borrower must maintain their FTEs during the covered period as compared to the reference period.
- ▶ The reference Period is either 1) February 15, 2019 to June 30, 2019; 2) January 1, 2020 to February 29, 2020; or 3) in the case of seasonal employers, either of the preceding periods or any consecutive 12-week period between May 1, 2019 and September 15, 2019.
- ▶ Forgiveness would be reduced proportionally by the percentage reduction in FTEs
- ▶ FTEs means 40 hours or more. If less than 40 hours, you can pro-rate or use .5 for any PT employees.
- ▶ The Borrower is exempt from such a reduction if any FTE Reduction Exemption or Safe Harbor apply.
- ▶ The Schedule A Worksheet will walk you through the calculation.

FTE Exemptions include :

- 1) any positions for which the Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020;
- 2) any positions for which the Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period or the Alternative Payroll Covered Period and the employee rejected the offer, and
- 3) any employees who during the Covered Period or the Alternative Payroll Covered Period:
 - (a) were fired for cause,
 - (b) voluntarily resigned, or
 - (c) voluntarily requested and received a reduction of their hours.

FTE Safe Harbor Exemptions



1. The Borrower is exempt from the reduction in loan forgiveness based on a reduction in FTE employees described above if the Borrower, in good faith, is able to document that it 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 COVID requirements.
2. The Borrower is also exempt if both of the following conditions are met:
 - (a) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and
 - (b) the Borrower then restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020.

Responsibilities



- ▶ Providing an accurate calculation of the loan forgiveness amount is the responsibility of the borrower, and Lenders may rely on borrower representations.
- ▶ Lenders are expected to perform a good-faith review, in a reasonable time, of the borrower's calculations and supporting documents concerning amounts eligible for forgiveness.
- ▶ If the Lender identifies errors in the borrower's calculations or material lack of substantiation in the borrower's supporting documents, the Lender should work with the borrower to remedy the issue.
- ▶ The borrower shall not receive forgiveness without submitting all required documentation to the Lender.

PPP and Your EIDL Advance



- ▶ “SBA will, subject to any SBA review of the loan or loan application, remit the appropriate forgiveness amount to the lender, plus any interest accrued through the date of payment, not later than 90 days after the lender issues its decision to SBA.”
- ▶ If applicable, SBA will deduct the amount of the EIDL Advance from the forgiveness amount remitted to the Lender as required by section 1110(e)(6) of the CARES Act.
- ▶ <https://home.treasury.gov/system/files/136/PPP-IFR-Loan-Forgiveness.pdf>

Unforgiven Loan Amounts



- ▶ If any amount of your loan is not forgiven for any reason (example the amount of the EIDL advance) the remaining balance of your loan will be termed out over the remaining term of your loan and you will receive a bill with the payment amount and due date.
- ▶ If your loan was prior to June 5, then you have a two-year maturity date.
- ▶ If your loan was on June 5 or after, you have a five-year maturity date.
- ▶ However, for loans before June 5 there is an option for a five- year maturity date IF the borrower and lender mutually agree to extend the maturity to five years,
- ▶ If a borrower is determined by the SBA to have been ineligible for a PPP loan for any reason, the SBA may seek repayment of the outstanding PPP loan balance or pursue other available remedies.

- ▶ The SBA may decide to “Review” your PPP loan application and documents.
- ▶ If that happens you will be notified by your lender and you may be asked to provide additional documentation.

Appealing the SBA Decision



- ▶ If you do not agree with the amount of forgiveness approved by the SBA there is a way to appeal their decision.
- ▶ This will need to be done through the SBA's Office of Hearings and Appeals (OHA), not through your Lender.
- ▶ An appeal petition must be filed within 30 calendar days after (i) the appellant's receipt of the final SBA loan review decision, or (ii) notification by the lender of the final SBA loan review decision, whichever is earlier.
- ▶ <https://home.treasury.gov/system/files/136/PPP-IFR-Appeals-of-SBA-Loan-Review-Decisions-Under-the-PPP.pdf>

Accounting Implications



- ▶ Be aware that there may be accounting implications related to the forgiveness of the SBA PPP loan.
- ▶ Please consult your accountant for additional information.

NSB Contact Information



For additional PPP Forgiveness questions please email Matt Joy and/or Cathryn Kent at:

PPPloan@northshore-bank.com