



Perspectives on the Latest IFRs for PPP Origination

January 11, 2021

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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Introductions

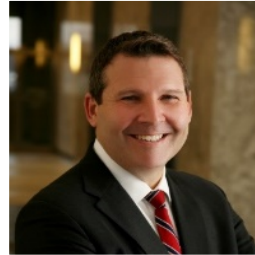
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Today's Presenters



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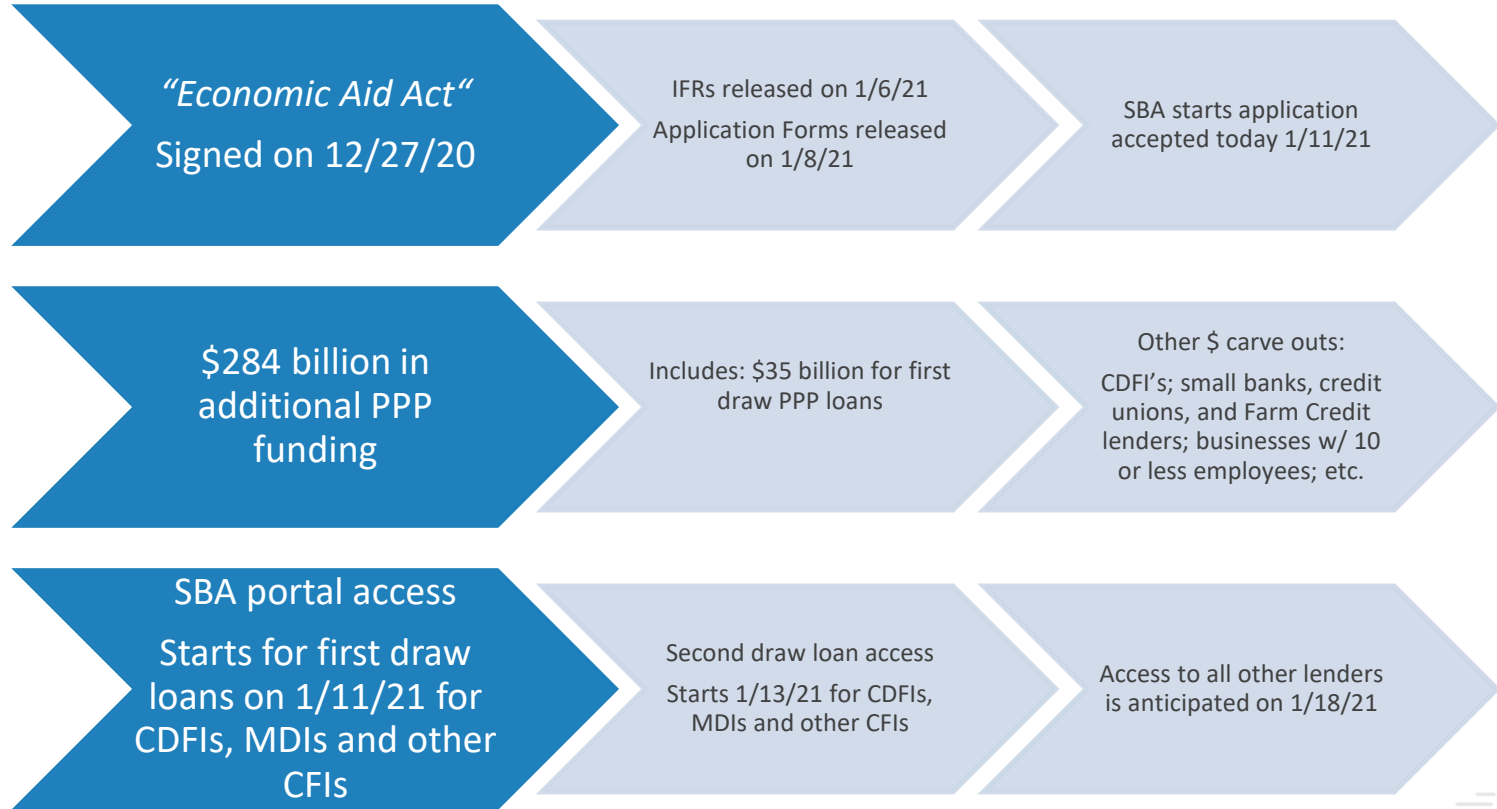


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Round 3 Implementation



Polling Question #1

Do you plan on accepting first draw applications from new customers?

- A. Yes
- B. No
- C. Undecided

New Rules for Existing, New & Second Draw Loans

Expansion of Eligible Expenditures

- certain business operations costs
- property damage costs (not otherwise recovered) from 2020 unrest
- supplier costs
- COVID-19 worker protection costs such as expenditures related to drive-up and outdoor dining operations.
- Payroll costs expanded to include group life, disability, vision and dental insurance benefits

Simplified Forgiveness Process for Loans of \$150,000 or Less

- Lenders can rely on borrower's certification related to expenditures
- No documentation related to eligible expenditures required to be submitted to lenders
- One page forgiveness application to be released by SBA by 1/20/21

Resolution of Tax and Other Issues

- All eligible expenditures are tax deductible
- EIDL advances no longer deducted from forgiveness amount
- Both resolutions apply retroactively



Second Draw Loans—Same General Requirements

100% Guaranteed

- No Collateral
- No personal guarantees
- Defined eligibility and underwriting processes
- Lenders rely on borrower's certifications

Terms and Fees

- 5 Year Maturity
- 1% interest rate
- No fees to borrowers; lenders processing and service fees from SBA increased for loans of \$50,000 or less (lesser of 50% of loan balance or \$2,500)

Fully Forgivable, if:

- Employee and comp levels are maintained
- Proceeds are used for payroll and other eligible expenditures
- At least 60% of funds are spent on payroll within an 8- to 24-week cover period

Second Draw Loans--Eligibility

300 or less employees

- 500 employees for restaurants, hospitality businesses and news broadcast businesses with multiple locations

Reduction in gross receipts of at least 25% for 2020 compared to 2019 or in any quarter in 2020 compared to the same quarter in 2019.

- Gross receipts include: sale of products and services, interest, dividends, rents, royalties, fees or commissions
- Gross receipts exclude: net capital gains and losses, forgiven PPP loan funds, sales tax and other tax collected
- Must have been in operation in all 4 quarters in 2019 to use the full year test

Must have been an operating business on February 15, 2020 and must not be traded on a national exchange.

Polling Question #2

Do you plan on accepting second draw applications from borrowers who obtained first draw loans from a different lender?

- A. Yes
- B. No
- C. Undecided



Second Draw—Loan Amounts (Up to \$2 Million)

- **Maximum loan amount = 2.5 x average payroll**
 - ❑ Maximum loan amount = 3.5 x average payroll for restaurants and hospitality businesses (NAICS code 72 businesses)
- **Sole proprietorships, independent contractors, or self-employed individuals:**
 - ❑ Maximum loan amount = the sum of a) net profit of borrower reflected on 2019 or 2020 IRS Form 1040 Schedule C, up to \$100,000, divided by 12, plus b) average monthly payroll costs (if any), x 2.5
- **Special rules for farmers and ranchers:**
 - ❑ For determination of maximum loan amount, gross receipts are utilized (up to \$100,000) in lieu of net profits from IRS Form 1040 Schedule in F



Second Draw Loans--Lender Responsibilities

Confirm borrower's certifications on Form 2843-SD or lender equivalent form

Confirm borrower was an operating business on 2/15/2020

Confirm the dollar amount of average payroll

- Based on payroll records from 2019, 2020 or 1-year period preceding the date of the loan

For sole proprietorships, independent contractors and self-employed borrowers

- Confirm amount net profit from 2019 or 2020 Schedule C
- For farmers and ranchers confirm amount of gross receipts from 2019 or 2020 Schedule F

Perform a good faith review of borrower's calculations and supporting documentation of revenue reduction

- From borrower financial statements, tax returns or bank statements



PPP Loan Forgiveness—Impact of the New Law

- **Simplified forgiveness process for loans of \$150,000 or less**
- **EIDL advances no longer deducted from forgiveness amount**



Polling Question #3

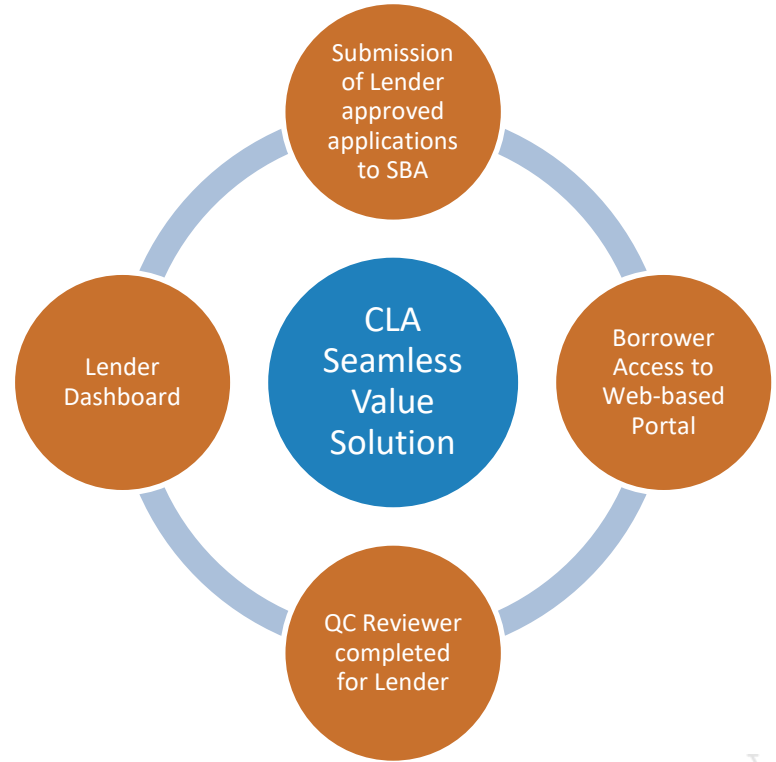
What percentage of your PPP borrowers have submitted forgiveness applications?

- A. Less than 25%
- B. Between 25% and 50%
- C. Between 50% and 75%
- D. More than 75%



PPP Loan Application Assistance

- **Technology Platform and Execution:**
 - Establish borrower account on web-based portal via email communication and service desk
 - Provide borrower video instructions on the portal
 - Provide QC review to determine accuracy of borrower qualifications and loan amount
 - Communicate directly with borrowers to facilitate complete, accurate and fully supported applications.
- **Provide timely updates to portal as new guidance is made available**
 - Securely store Applications and supporting documents
 - Provide lender with Application status through Dashboard
- **Transmit completed Loan Applications to the SBA**




CLA PPP Application Portal

Would this be your first paycheck protection program loan with any lender? Yes No

PPP First Draw SBA Loan Number: (Note: Triggers access to either First or Second Draw Portal area)

Please provide documentation supporting you experienced at least a 25% reduction in gross receipts as discussed below:

- a. The applicant must identify the 2020 quarter meeting this requirement, identify the reference quarter, and state the gross receipts amounts for both quarters. Please provide bank statements, quarterly financial statements, or tax forms supporting the reduction in gross receipts.
- b. Applicants may choose to use annual gross receipts, and must enter "Annual" in the 2020 Quarter and Reference Quarter fields. If choosing annual gross receipts, please provide copies of annual tax forms substantiating the annual gross receipts reduction.

 ← *Easy upload functionality*

Entry Check Features to Avoid Delays and Missed Information

Business type ▼

You must choose a value



CLA PPP Application Portal

SBA First Draw Loan Requirements

Business Legal Name

NAICS Code

Applicant (including affiliates, if applicable) Meets Size Standard

DBA or Tradename if Applicable

Year of Establishment (if applicable)

Business Address

Business TIN (EIN, SSN)

Business Phone

Primary Contact

Email Address

Average Monthly Payroll:

x 2.5 + EIDL, (Do Not Include Any EIDL Advance) equals Loan Request Amount:

Number of Employees:



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SBA Second Draw Loan Requirements

Business Legal Name

NAICS Code

DBA or Tradename if Applicable

Year of Establishment (if applicable)

Business Address

Business TIN (EIN, SSN)

Business Phone

Primary Contact

Email Address

Average Monthly Payroll:

x 2.5 (or x 3.5 for NAICS 72 applicants) equals Loan Request Amount (may n...

Number of Employees (including affiliates, if applicable; may not exceed 300):



CLA PPP Application Portal

SBA Aligned Check Boxes or Fill-Ins

Purpose of the loan (select more than one):

- | | | | |
|--|---|---|--|
| <input type="checkbox"/> Payroll Costs | <input type="checkbox"/> Rent / Mortgage Interest | <input type="checkbox"/> Utilities | <input type="checkbox"/> Covered Operations Expenditures |
| <input type="checkbox"/> Covered Property Damage | <input type="checkbox"/> Covered Property Damage | <input type="checkbox"/> Covered Worker Protection Expenditures | <input type="checkbox"/> Other |

Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):

2020 Quarter (e.g., 2Q 2020):

Gross Receipts 2020:

Reference Quarter (e.g., 2Q 2019):

Gross Receipts Reference Quarter



QUESTIONS

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THANK YOU!

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