

PPP Loan Program Forgiveness Webinar April 24, 2020

Presented by:
Huntingdon Valley Bank
www.myhvb.com



Travis J. Thompson, Esq.

Chairman, President and CEO Huntington Valley Bank

I. Welcome to the PPP Forgiveness Webinar

II. Presentation Overview

III. SBA PPP Update

IV. HVB Business Banking Division

PPP Loan Calculation Overview

Derek Warden, EVP & CCO Huntington Valley Bank

- SBA PPP Application (Separate Form 2483 for each Borrowing Entity)
- Payroll expense verification. Payroll summary report for 2019 or February 2020 report including prior twelve months. Preferably a Cares Act Report. Also can include IRS Forms 940/941 and other data if necessary.
- Independent Contractors/Sole Proprietors to provide Tax Return Schedule C for 2019 or accountant prepared draft of Schedule C being filed.
- For LLCs with more than one owner include K-1s as Self Employment Earnings can be used in lieu of wages.
- Evidence of payroll benefits paid (vacation, sick leave, family leave, retirement benefits, healthcare benefits). Employer paid benefits only.
- Provide third party verification if not reported through a payroll summary report.
- Remember to exclude each employee's wages over \$100k and FICA (Social Security) and Medicare.
- See myhvb.com for the Borrower Application Checklist and for the PPP Payroll Calculator.

Forgiveness Overview

Hugh Connelly, EVP & CLO Huntington Valley Bank

- Federal government is using the SBA 7A loan channel as a means to inject cash into American businesses for the purpose of paying workers, even when they are not actually working.
- Getting a PPP Loan is easy, having it 100% forgiven is not.
- Not your typical 7A Program.
- “Getcha” not “Gotcha”
- Hoarding PPP Loan proceeds and not re-hiring will impact your loan forgiveness amount; and use of PPP loan proceeds for unauthorized purposes could be a federal crime.

Innovative Financing Solutions:

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Loan Forgiveness Calculation –Employers

Step 1–Eligible Use of Funds Tracking

Track eligible payroll, rent, interest, and utility costs for 8-week period after loan disbursement (Covered Period)

Assumes eligible forgiveness costs are determined by date cash is disbursed –so payroll dates matter –need clarity from SBA

No more than 25% of the total can be used for non-payroll expense

Step 2–Headcount Tracking

Track average monthly Full Time Equivalent employees with salaries less than \$100,000 during 8-week period after loan disbursement

Loan Forgiveness Calc –Employers (Cont.)

Step 3 –Headcount & Wage Reduction Calculation

Headcount Reduction

- Identify Avg monthly FTEs for comparative period at Borrower's option:
 - 02/15/2019 –6/30/2019
 - 01/01/2020 –02/29/2020
- Avg FTEs during Covered Period / Avg monthly FTEs during comparative period = Headcount reduction factor.
Multiply this by the forgiveness amount in Step 1.

Loan Forgiveness Calc –Employers (Cont.)

Step 3 –Headcount & Wage Reduction Calculation

Staffing Reduction –Borrower to determine cumulative wage reductions greater than 25% for any FTE with a salary less than \$100,000 during the Covered Period as compared to most recent full quarter during which the FTE was employed prior to covered period.

Loan Forgiveness Calc –Employers (Cont.)

Step 4 –Determine if exemptions are applicable

Was the headcount reduction eliminated not later than 6/30/2020 if it occurred between 2/15/2020 and 4/26/2020?

Was the wage reduction eliminated not later than 6/30/2020 if it occurred between 2/15/2020 and 4/26/2020?

IF NO to either question, the headcount and wage reduction is applicable.

IF YES to both questions, the headcount and wage reduction is NOT applicable.

Step 5 – Borrower Calculates Forgiveness Amount and sends application

Loan Forgiveness Calculation Example w/ 29% Headcount Reduction and \$20K Wage Reduction. Exemptions not applicable.

FORGIVENESS CALCULATION			
	Amount	%	
Eligible Payroll Costs	\$ 430,000	75.00%	
Eligible Non- Payroll Costs	\$ 143,333	25.00%	Not to exceed 25%
Max Forgiveness Amt (Not to Exceed Loan Amt)	\$ 573,333	100.00%	
Headcount Reduction Factor	71%		
Forgiveness After Headcount Reduction	\$ 409,524		
Less Wage Reductions	\$ 20,000		
Less EIDL Advance/ Grant	\$ 10,000		
Forgiveness After All Reductions	\$ 379,524		
Forgiveness Amount	\$ 379,524		
Borrower's Remaining Obligation	\$ 320,476		to be repaid over remaining Loan term
Total Original Loan Amount	\$ 700,000		

Step 5 –Borrower Calculates Forgiveness Amount and sends application

**Switch to excel and run example with
screen share
Mike**

Loan Forgiveness Documentation -Employers

- Documentation verifying # of FTEs and pay rates during the covered period

 - Form 941 and State income and unemployment insurance filings OR equivalent payroll processor records that correspond to the covered period

 - Evidence of retirement and health insurance contributions

 - Documentation supporting other eligible expenses (cancelled check, payment receipts, transcript of accounts, etc.) for rent, interest, and utility payments

 - Certification from the Borrower the documentation is true and correct and the amount for which forgiveness is requested (Lender can use internal form for this)
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Loan Forgiveness Calc –Self Employed / Schedule C (Cont.)

Most of the process is similar to Employer process if Company had employees.

Differences:

- 8 weeks worth (8/52) of 2019 Net Profit to factor self employment income - **Schedule C, line 31**
- Payments of eligible rent, interest, utilities, but all must have been reported on 2019 Schedule C, not to exceed 25% of forgiveness amount

Loan Forgiveness Documentation –Self Employed

- The process uses the same documentation as Employer Forgiveness Application, PLUS
- 2019 Schedule C that was provided at the time of Application

Loan Forgiveness -Process

- 1) SBA Interim Final Rule dated 4/2/2020 page 14 states “SBA will issue additional guidance on loan forgiveness”.
BE PREPARED FOR MORE CHANGES
 - 2) Forgiveness application submission process, content and timeframe still not fully clear
 - 3) Lender to make decision within 60 days of Borrower application
 - 4) Unclear if headcount and wage reduction calculation will be applicable
 - 5) Lender is not required to verify Borrower forgiveness documentation
 - 6) Lender held harmless for Borrower certifications
 - 7) Forgiveness amount not taxable
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Loan Forgiveness Calculators:

- Employer Version
- Self-Employed Version
- Available for download from www.myhvb.com PPP Page

PPP Best Practices:

- Submit complete and accurate applications with supporting data.
- Open a dedicated PPP Deposit Account to track all use of loan proceeds.
- While waiting for your loan to be disbursed, develop a spending plan.
- Use the Forgiveness Calculator to guide you.
- **SPEND THE MONEY - RE-HIRE YOUR EMPLOYEES**

PPP Best Practices:

Certification from the SBA Form 2483 Borrower Application:

*The funds will be used to retain workers and maintain payroll or to make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; **I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.***

Contact Information

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Next Event May 8, 2020 2 PM

