
Successfully Navigating The Downturn

Part 2: The SBA Saga Continues

Agenda

SBA PPP Program

- What happened to the money and will there be more?
- What application statuses mean
 - Submitted
 - Approved
 - Funded
- Clarity on Self-Employed Applicants
 - Approval amount
 - Maximum Debt Forgiveness
 - Reporting
- Updates on Debt Forgiveness
 - Required Documents
 - Timing
- What we still don't know
 - SBA documents
 - Response Times

SBA EIDL Program

- What happened to the money and will there be more?
 - Changing Qualifications
 - \$1,000/employee up to \$10,000
 - \$1,000 maximum for self-employed applicants
 - What application statuses mean
 - Submitted
 - Loan Number Received
 - Funded
 - FAQ (Both PPP and EIDL)
-

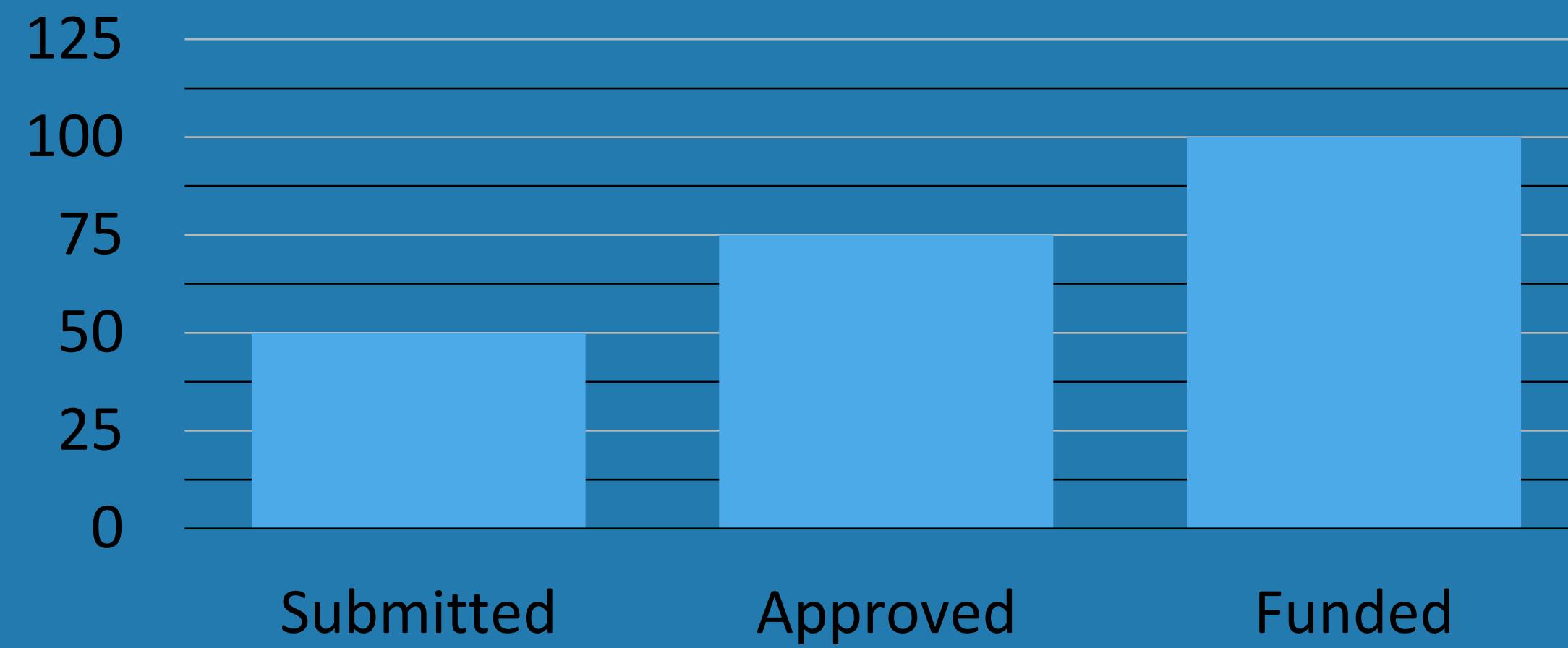
PPP - What Happened To The Money And Will There Be More?

- Original estimates showed between 3-4 million businesses would qualify for PPP with an average loan size between \$70,000-\$90,000.
 - Average loan size was over \$240,000 and only 1.6 million applications were processed
 - Many publicly traded companies qualified under their many subsidiary entities and maxed out the programs limits several times
(<https://www.forbes.com/sites/robertwolcott/2020/04/17/congress-fund-the-ppp-for-small-businesses-big-corporations--hands-off-for-your-own-good/#61fbd19c6a07>)
 - \$250 Billion more expected to be added to PPP

this week

- Additional requirements expected. Large company loop hole expected to close

Funds 'Allocated'





Clarity on Self-Employed Applicants

- Maximum approval amount is equal to the average monthly net income multiples by 2.5
 - REMINDER 1099-MISC shows gross revenue, not net income.
- Maximum debt forgiveness amount is 8 weeks (8/52) of 2019 net income
- Required Documentation
 - 2019 1040 tax forms or drafts
 - 2020 bank statement & invoice
 - IRS 940 (if applicable)

Updates on Debt Forgiveness

- Self-Employed applicants that have not traditionally had expenses on their 1040 will be capped at a debt forgiveness of 8 weeks (8/52) of 2019 profit. No 25% for other qualified expenses
 - 75% of the amount forgiven must be attributed to payroll costs
 - Ex. \$100K loan, \$40K used on payroll, \$25K used on rent, \$35K remaining on hand after 8 weeks
 - Maximum forgiven = \$53,333. If borrower returns cash on hand, they will still have to repay \$11,666
 - Being audited down to the employee level
 - Paying any employee above \$100K annually (\$8,333/mo) will result in that portion of PPP needing to be repaid
 - **Required Documents**
 - Borrower Certificate
 - Form 941 and state unemployment records
 - Evidence of retirement and health benefits paid
 - Utility statements
 - Rent/Mortgage statements
 - **Timing**
 - Borrower must apply after 8-week period but before 180 days after funding. More clarity to follow.
-



What We Still Don't Know

- SBA Specific Documents
 - Likely to be similar to SBA 770 and 1150 (Offer in Compromise) but adapted to businesses rather than individuals
- Timelines
 - SBA offices in Herndon VA, Little Rock AR, and Denver will process ALL debt forgiveness applications
 - On average, OIC applications take 3 months to be submitted by banks and be approved by SBA
- Additional Requirements to be released by the SBA

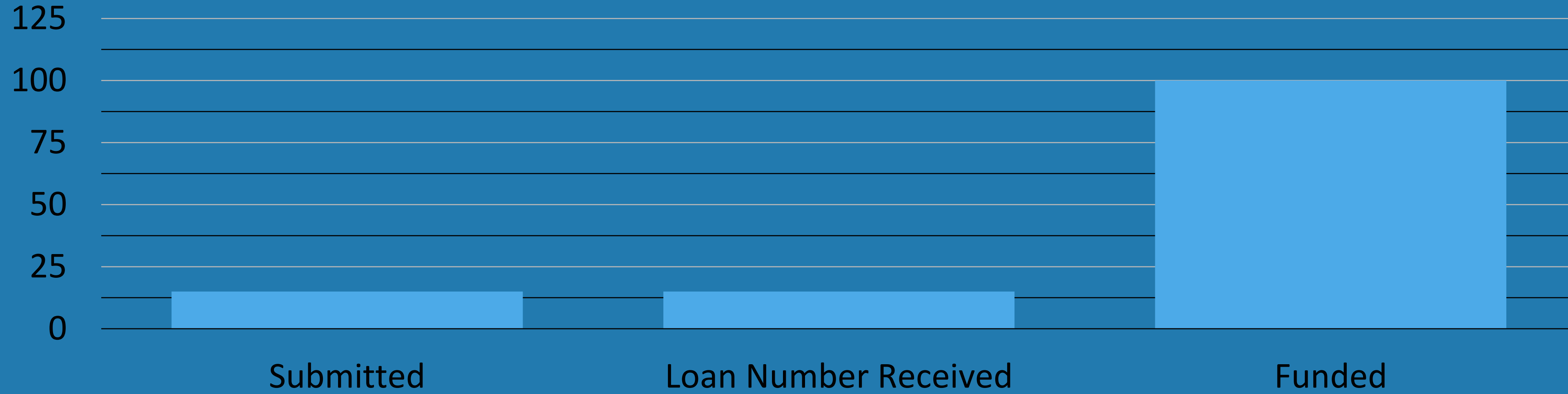
EIDL - What Happened To The Money And Will There Be More?

- The EIDL Program existed long before COVID19. The program funded areas effected by natural disasters such as areas effected by storms such as Harvey and Katrina
 - The program's financial reserves were almost immediately depleted by a nation-wide pandemic
 - While there is speculation that EIDL will get more funding, at this point there is not even a proposed amount and the program will likely take a back seat to more PPP funding and Main Street Lending Program
 - The Main Street Lending Program is similar to the EIDL in that it is a low-interest loan (not forgivable)
 - Minimum loan size \$1 million
 - 2.5%-4% interest
 - 4 year repayment
 - Minimum EBITDA of \$250,000 annually
 - Businesses with 10,000 employees or less
 - \$600B pool of funds
-

Changing Qualifications

- Maximum loan size went from \$2 Million to \$15,000
 - Funds are gone. Until replenished no further applications are being processed.
- EIDL advance went from \$10,000 for most applicants to \$1,000/employee (as of Jan 1) up to \$10,000
 - Remain a grant
- Self-employed applicants with no employees will only receive \$1,000

Funds Allocated



FAQ

adam@secondwindconsultants.com

413-652-3121
