

# Coronavirus Aid, Relief, and Economic Security (CARES Act)

SBA 7(a)  
Paycheck Protection Program

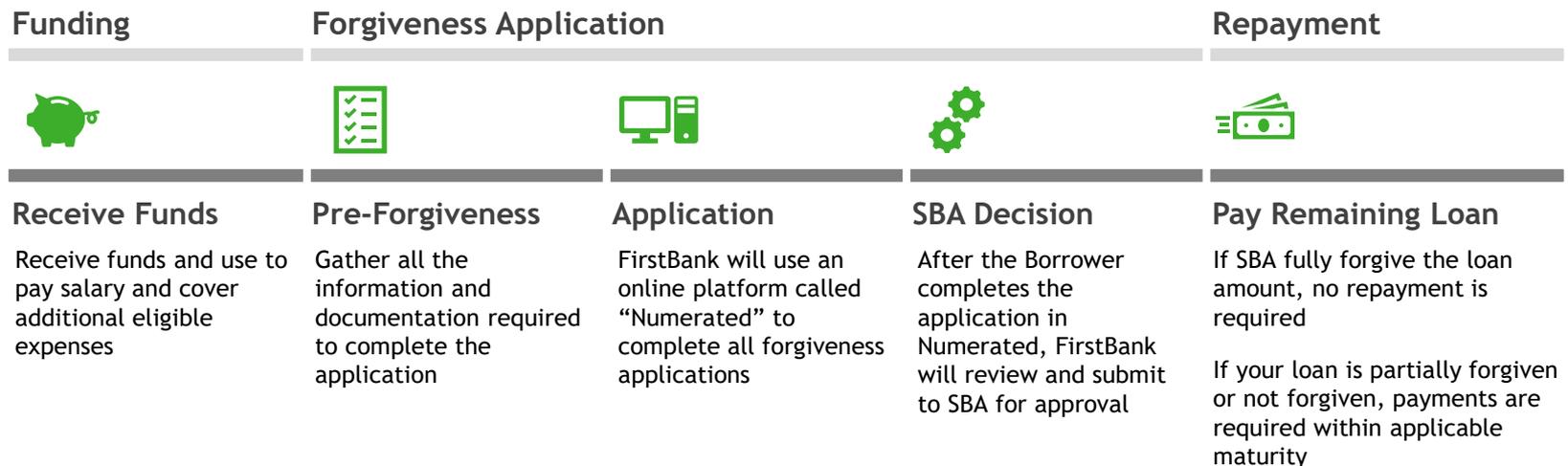
Loan Forgiveness

August 19, 2020



- On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”, H.R. 748) was enacted --a \$2 trillion response bill which intends to speed economic relief and includes a significant number of tax and other provisions designed to support businesses and individuals impacted by the Coronavirus pandemic
  - The Cares Act included amendments to the Small Business Act consisting of a \$350 billion provision, plus a \$310 billion second round, for small businesses through federally backed loans under a modified and expanded SBA 7(a) loan guaranty program called the Paycheck Protection Program (the “PPP”) to be administered by the Small Business Administration (the “SBA”)
  - On June 5, 2020, the Paycheck Protection Program Flexibility Act was enacted to provide additional flexibility on the terms for forgiveness under the PPP
- A borrower may submit a loan forgiveness application at any time on or before the maturity date of the loan (if all the loan proceeds for which the borrower is requesting forgiveness have been used). If borrower does not submit a loan forgiveness application within 10 months after the end of the Covered Period, borrower must begin paying principal and interest.
  - The lender must issue a decision to the SBA on a loan forgiveness (whole or in part) application within 60 days after receipt of a complete application and the SBA has 90 days to review applications and remit the forgiveness amount, including any interest accrued.

### Forgiveness Process Flow:



- Among the requirements for loan forgiveness are the timeframe during which the funds were used (the “Covered Period”) and the purpose, as described below:

### Covered Period

Borrowers may seek forgiveness of PPP loans for Covered Payroll Costs and Covered Nonpayroll Cost for the period starting on:

- **Standard Covered Period:** the 24-week period beginning on the PPP loan disbursement date, or if borrower received its PPP loan before June 5, 2020, the borrower may elect to use an 8-week period; or
- **Alternate Period:** borrower with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs starting at the beginning of the first payroll period following the disbursement date and continuing for the 24-week period (or for loans received before June 5, 2020 at the election of the borrower, the 8-week period).

In terms of timing, the Loan Forgiveness Application provides some flexibility and allows payment and forgiveness for certain costs incurred prior to the disbursement date and paid during the Covered Period, as well as certain costs incurred during the covered period and paid after that period. Refer to the Application for further instructions.

### Covered Payroll Costs

- Salaries, wages, commissions, tips or similar compensation
- Vacation, parental, family, medical, or sick leave and severance pay
- Group health care benefits, including insurance premiums (employer’s share only)
- Retirement benefits (employer’s share only)
- State and local tax assessed on the compensation of employees
- Self employment income paid to partners in a partnership and owner members of a limited liability company (which is taxed as a partnership)

### Covered Nonpayroll Costs *(not to exceed 40% of forgiveness amount)*

- Payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020
- Business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020
- Business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020

The loans forgiveness amount will be the smallest of the followings: **Modified Total**, **PPP Loan Amount**, or **Payroll Cost 60% Rule**

### Modified Total

- While borrowers are eligible for loan forgiveness for expenditures on payroll costs, the actual loan forgiveness amount a borrower receives may be less depending upon:
  - A borrower's loan forgiveness will be reduced by multiplying the amount of the loan used by the borrower by the quotient of the average number of FTEs<sup>1</sup> per month for the Covered Period, divided by the lower of the average number of FTEs per month from 1) February 15, 2019 through June 30, 2019, or 2) January 1, 2020 through February 29, 2020
  - Loan forgiveness will also be reduced if a borrower decreases the annual average salary or hourly wage of any employee by more than 25 percent of the amount received by that employee during the period of January 1, 2020 to March 31, 2020

A borrower that restores the average annual salary or hourly wage for employees who were previously laid off or had their compensation reduced will be exempt from the reduction in loan forgiveness
- The amount of loan forgiveness shall be determined without regard to a proportional reduction in the number of full-time equivalent employees if the recipient:
  - A) is able to document its inability to rehire individuals who were employees on February 15, 2020 or it's inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020
  - B) is able to document an inability to return to the same level of business activity as such business was operating at before February 15, 2020, due to compliance with government established safety requirements

### 60% Rule

- No more than 40 percent of the loan forgiveness amount (as opposed to the full loan amount) may be attributable to non payroll costs (at least 60 percent of the forgiveness amount must be attributable to payroll costs)

### What if the Borrower is a Self-Employed?

- All amounts spent on the following items during the first 8 or 24 weeks (up to the borrower) of the loan term are 100% forgivable:
  - a) to replace your 1099 MISC income or your net self employment income (refer to CAP based on selected Covered Period (\$15,835) or Alternate Covered period (\$20,833), b) interest on business mortgages, c) business rent, d) business utilities<sup>2</sup>

<sup>1</sup> An FTE would be an employee who works, on average, 40 hours per week or more per month. The SBA has stated that borrowers may use a simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours

<sup>2</sup> Due to high demand, if more than 25% of this amount is used for (b), (c) and (d), some of those expenses may not be forgivable

### SBA Form 3508 EZ - Default in Numerated

- Simplified application available for the following eligible borrowers that meet one of the following conditions:
  - Self-Employed, Independent Contractor, Sole Proprietor (without employees)
  - The Borrower did not reduce employee hours or salaries and wages by more than 25%
  - Borrower, did not reduce annual employee salaries or wages by more than 25%, **AND** was unable to operate at the same levels due to compliance with laws/guidances

#### Documentation

- 1) **Payroll Documentation:**
  - a) Bank account statements (or third-party payroll service provider reports) documenting the amount of cash compensation paid to employees
  - b) Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternate Covered period such as Payroll tax filings reported, or that will be reported, to the IRS (typically Form 941); and State quarterly business and individual wage reporting and unemployment insurance tax filings reported, or that will be reported to the relevant state
  - c) Payment receipts cancelled checks or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the borrower included in the forgiveness amount
- 2) **Non-Payroll Documentation:**
  - a) Business Mortgage Interest Payments: Copy of the lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments
  - b) Business Rent or Lease payments: Copy of the current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the covered period through one month after the end of the covered period verifying eligible payments
  - c) Business Utility Payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks or account statements verifying those eligible payments

### SBA Form 3508

- Standard application available to all Borrowers not eligible under the “EZ” application
- This application requires, in addition to the complete loan application the following: Schedule A Worksheet (optional); Schedule A and Calculation Form

#### SBA Form 3508

- 1) **Payroll Documentation:**
  - a) Bank account statements (or third-party payroll service provider reports) documenting the amount of cash compensation paid to employees
  - b) Tax forms (or equivalent third-party payroll service provider reports), including payroll tax filings and state quarterly business and individual employee wage reporting and unemployment insurance tax filings
  - c) Payment receipts cancelled checks or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the borrower included in the forgiveness amount
- 2) **FTE Documentation:**
  - a) The average number of FTE employees on payroll per month employed between February 15, 2019 and June 30, 2019
  - b) The average number of FTE employees on payroll per month employed between January 1, 2020 and February 29, 2020
  - c) Documents may include payroll tax filings (typically Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings. Documents may cover periods longer than the specific time period
- 3) **Non-Payroll Documentation:**
  - a) Business Mortgage Interest Payments: as in “EZ” application required documentation
  - b) Business Rent or Lease payments: as in “EZ” application required documentation
  - c) Business Utility Payment: as in “EZ” application required documentation

## Numerated Application Overview

- Borrower will access the Forgiveness landing page from either email received from Relationship Officer or the bank's home page. At the landing page, the borrower will enter their email address, Exact PPP Loan Amount and Borrower Tax Identification Number
- Enter the personal Social Security number to confirm the Primary Owner Information and select the boxes below

## First, let's find your PPP loan

We will use this information to look up your business information and your Paycheck Protection Program (PPP) loan record.

Your Business Email



Borrower Tax Identification Number (TIN)



Original PPP Loan Amount



Find My PPP Loan

## Confirm Primary Owner Information

NATALIE A BUTTERFIELD  
mvpdemotesting@gmail.com  
(713) 531-7063  
97634 Pine View Point Houston, TX

Social Security Number

I certify that I am the Authorized Representative and I agree with the [eSign Consent agreement](#) to use electronic records and signatures.

I certify that I am the Authorized Representative and I agree with the [PPP Loan Forgiveness Borrower Certifications](#).

> SAVE

> SUBMIT

- Numerated provides the “3508EZ” as the default application form for forgiveness; nonetheless, based on the three questions, the Borrower must determine its applicable form.
- The 3508EZ form will be applicable for any Borrower that complies with at least one of the required conditions.
- If Borrower does not comply with the conditions required to use the 3508EZ form, Borrower must select the Standard Form.

## Fill Out Your Financial Information

Borrower must satisfy one of the below conditions in order to use the Form 3508EZ.  
If the borrower does not satisfy any of the below, they must select the **standard application** above.

I am a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application.

- No  
 Yes



The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent 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.

- No  
 Yes

[Learn more](#)

The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent 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 requirements related to COVID-19.

- No  
 Yes



# Numerated Application Document Upload

- Before submitting the application for review, the Borrower will be required to upload any necessary documentation. Applications will not be considered complete until required documents are uploaded.

### Upload your supporting documents

Please Upload your documents to the folders below. Once you have uploaded ALL of the required supporting documents, please submit for review. For more information on what's required, please see the "More Info" buttons next to the folders.

- Upload 1a. Payroll: Cash Compensation for Employees
- Upload 1b. Payroll: Tax Forms
- Upload 1c. Payroll: Health Insurance & Retirement Contributions
- Upload 1. FTE Documentation
- Upload 3a. Nonpayroll: Mortgage Interest
- Upload 3b. Nonpayroll: Rent or Lease
- Upload 3c. Nonpayroll: Utilities

[Submit for Review](#) [?](#)

### Upload your supporting documents

Please Upload your documents to the folders below. Once you have uploaded ALL of the required supporting documents, please submit for review. For more information on what's required, please see the "More Info" buttons next to the folders.

- Upload 1a. Payroll: Cash Compensation for Employees
  - Upload Documents Here [Browse Files](#)

Name	Status
Screen Shot 2020-08-03 at 6:53:45 AM.png	Done

- Upload 1b. Payroll: Tax Forms
- Upload Documents Here [Browse Files](#)

Name	Status
ppp_upload_results_20200802Done (3).xlsx	

Our staff is reviewing your request and will contact you regarding the next steps within 60 days (in line with SBA guidance). We will email you as soon as your request is reviewed, but you can also check back here anytime for the most recent status.

**Your Forgiveness Request is in Review**  
As soon as the review is complete we will **Email** you (within 60 days) regarding the next steps.

### Your Documents

- Your Supporting Documents (2)
  - 1a. Payroll: Cash Compensation for Employees (1)
    - Screen Shot 2020-08-03 at 6:53:45 AM.png
  - 1b. Payroll: Tax Forms (1)
    - ppp\_upload\_results\_20200802 (3).xlsx
  - 1c. Payroll: Health Insurance & Retirement Contributions (0)
  - 2. FTE Documentation (0)
  - 3a. Nonpayroll: Mortgage Interest (0)
  - 3b. Nonpayroll: Rent or Lease (0)
  - 3c. Nonpayroll: Utilities (0)
- Your Forgiveness Request
  - Submitted On: August 03, 2020
  - Forgiveness Amount: \$250,000.00
  - Remaining Loan Balance (expected): 66,617.00

[Exit Securely](#) [?](#)

# Numerated Application Document Signing

- Once the Bank approves the application, the Borrower is sent emails to initiate the Document Signing process for the SBA form. The Borrower will receive two emails: 1.) Email with Authentication Code, and 2.) Email with link to review and sign documents in DocuSign.
- Please note, that the form will be prefilled with the information entered in the Numerated platform giving the Borrower the opportunity to review and ensure the information is accurate while they sign the application form digitally.
- Additionally, an optional Borrower Demographic Information sheet will be included in the document package but will not be required.

