



PRESTAMOS CDFI
a division of **CHICANOS POR LA CAUSA**

RESPOND → PLAN → RETURN STRONGER

Preparing for the Next Round of PPP

PRESENTED BY

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Disclaimer

All information provided in this session is intended to be informative in nature and should not be considered legal or financial advice. All information presented is based on our current interpretation of the information provided by The SBA, The Republicans Small Business Committee, and current text of the COVID relief bill. Information and rules regarding this program are subject to change at any time and it is up to everyone to complete their own due diligence to ensure they understand the financial and legal requirements and consequences of participation in this program.

For Today's Discussion



Recap of Existing PPP1 Rules



Updates Under New Legislation



Recap of Important Takeaways



Recap of Existing PPP1 Rules



Other Stimulus Provisions



Q&A Session

Recap of PPP Round 1 Rules

Eligibility

- For Profit and 501(c)(3) Businesses
- Employees with principal residence in US
- 500 or fewer employees (Accommodation/Food Under 300/loc)

Eligible Use of Funds

- 60% of loan to W2 wages, owner compensation replacement, group health, and state payroll taxes
- 40% to other eligible expenses (Rent/Utilities/Interest)

PPP Terms

- 2.5x average monthly payroll amount on up to first \$100,000 in wages per employee
- 8 or 24 Week Covered Period

Recap of PPP Round 1 Rules

Intent

- To provide a forgivable loan to small businesses financially impacted by COVID-19 to continue paying employees (W2 employees – not 1099 contractors)

Necessity Test

- Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant

Self Employed

- Individuals who receive a 1099 or that are Self-Employed are eligible if their 2019 1040 Schedule C Line 31 has positive income

Importance of “Necessity”

The Necessity Requirement

- If the business has been profitable or at least broke even and fully expects to survive without assistance, until when the virus clears, then the loan may not be sufficiently “necessary” to justify taking it.

Consequences

- While the SBA will not question loans under \$2MM:
 - All PPP Loans are Public Knowledge
 - Competitors or Employees can Report You

The Burning Questions

Can I Get a 2nd PPP Loan?

- Borrowers who received a previous PPP loan **ARE** eligible for a 2nd PPP loan if they meet certain conditions and forgiveness on the 1st PPP is **NOT** required before applying for a 2nd PPP loan

Can I Get a 1st PPP Loan?

- Businesses that **did not** receive a PPP during a previous round **will be** eligible to receive a PPP for the first time

When/How Can I Apply?

- Once The SBA re-opens the program and issues guidance to lenders
- You will be able to apply on our website or with your participating lender



Updates Under New Legislation

Additional Eligible Expenses

Operations Expenditures:

Software, cloud computing, human resource, and accounting needs

Property Damage Costs:

Costs related to property damage during 2020 public disturbances not covered by insurance

Operations Expenditures:

Software, cloud computing, human resource, and accounting needs

Worker Protection:

PPE and adaptive instruments necessary for health compliance

Updates Under New Legislation

Unexpected Supports

EIDL Advance

Borrowers are no longer required to reduce forgiveness by EIDL advance amount

IRS Deductions

Expenditures covered by the PPP are now eligible for deduction on tax returns

Accommodations & Food Services

Industries with an NAICS code 72XX (Accommodations and Food Service) can now receive 3.5X their avg payroll

Group Insurance

Clarifies that group life, disability, vision, and dental insurance are eligible payroll costs



Eligibility Requirements for “Second Draw” Loan

Business Start Date

Must have been in OPERATION on February 15, 2020

Number of Employees

No more than 300

25% Reduction in GROSS RECEIPTS

Borrower can demonstrate a 25% decrease in at least one quarter of 2020 compared to the same quarter of 2019

Safe Harbor Rules

Extends safe harbor rules if businesses were unable to operate at full capacity and saw a reduction in business

PPP Loan Terms

Loan Amount

Up to 2.5x average monthly payroll costs in the one year prior to the loan
OR the calendar year (72XX NAICS = 3.5x)

Seasonal Businesses

Can calculate based on any 12-week period between February 15, 2019 and February 15, 2020

New Recipients

Churches and 501(c)(6) are eligible to apply**

Use of Funds Requirements

60% for payroll costs and 40% for other eligible costs

Loan Forgiveness

Full Forgiveness

Borrowers are eligible for full forgiveness if 60%/40% cost allocation is met during the 8-week or 24-week covered period

Non-Forgiven Amounts

10-month deferral on a 5-year repayment term with 1% interest

Simplified Process

Borrowers with loans under \$150,000 will utilize a one-page forgiveness application and certify proper use & eligibility

Timeline

Borrower can apply once funds are used if it has been at least 8-weeks. Borrowers should apply within 10-months of end of covered period for full forgiveness

Term Clarification

Seasonal Employer

Employer that operates for no more than 7 months in a year, or, earned no more than 1/3 of its receipts in any 6-month period

Covered Period

The 8-week or 24-week covered period begins once PPP funds are deposited into your account. Funds must be utilized during this period of time.

72XX NAICS Code

The Accommodation and Food Services sector comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

Hotels/Inns, RV Parks, Campground, Mobile Food Services/Food Trucks, Caterers, Bars, Restaurants, Snack Bars, Cafeterias



Recap of Takeaways

Application Process

You can apply online through your eligible lender or our website

www.prestamosloans.org

once the program opens through The SBA (TBD)

Application Requirements

- Payroll Documents
- Proof of 25% Reduction
- 2019 Business Tax Return
- Business Info/Articles of Org
- 2020 Profit & Loss Statements
- Copies of 1099's
- Owner Information/ID

Forgiveness

Loan if fully forgivable if used for at least 60% payroll costs and no more than 40% other covered expenses (Rent, Utilities, Interest, PPE, Property Damage, Supply Costs, Operating Expenses)

Eligible Amounts

Eligible Employer Amount

2.5x monthly payroll average for the last 12 months on the 1st \$100,000 in wages/employee
(3.5x for businesses with a 72XX NAICS)

Eligible Non-Employer Amount

2.5x average net profit from 2019/2020 IRS Form 1040, Schedule C, Line 31 as “owner compensation replacement”

EIDL Program Extended

EIDL Advances and EIDL Loans are available through December 31, 2021

EIDL Advances will no longer reduce PPP forgiveness

Next Steps to Prepare

Gather Required Documentation

- Pull January – December 2019 and 2020 Bank Statements
- Gather 2019 and 2020 Payroll Documents (941, Payroll Summary)
- 2019 and 2020 Profit & Loss Statement by Month

Compare 2019 vs 2020 Gross Revenue

- Input monthly sales/income/revenue data into 25% Reduction Spreadsheet in “Handouts”

When/How Can I Apply?

- Once The SBA issues guidance on the program (*likely after Jan 6*)
- You will be able to apply on our website or with your authorized lender when PPP goes live

25% Gross Revenue Reduction Spreadsheet



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Enter the gross receipts/gross revenue received each month of the year. Only fill in the colored fields.

	January	February	March	April	May	June	July	August	September	October	November	December
2019	\$ 1,500.00	\$ 1,600.00	\$ 1,550.00	\$ 1,800.00	\$ 1,600.00	\$ 1,550.00	\$ 1,580.00	\$ 2,000.00	\$ 1,950.00	\$ 1,800.00	\$ 1,875.00	\$ 2,100.00
2020	\$ 1,550.00	\$ 1,580.00	\$ 1,420.00	\$ 1,300.00	\$ 1,250.00	\$ 900.00	\$ 925.00	\$ 955.00	\$ 1,200.00	\$ 1,350.00	\$ 1,800.00	\$ 1,750.00

Q1 2019 \$ 4,650.00
Q1 2020 \$ 4,550.00
Difference -2%

Q2 2019 \$ 4,950.00
Q2 2020 \$ 3,450.00
Difference -30%

Q3 2019 \$ 5,530.00
Q3 2020 \$ 3,080.00
Difference -44%

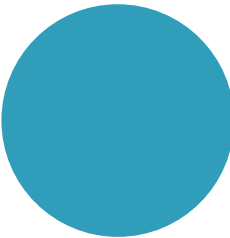
Q4 2019 \$ 5,775.00
Q4 2020 \$ 4,900.00
Difference -15%

Qualifying Quarters

Q1 FALSE
Q2 Eligible
Q3 Eligible
Q4 FALSE

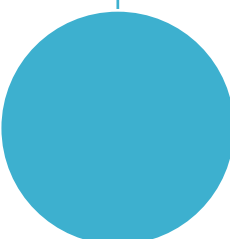


Other Stimulus Benefits



Stimulus Payments

- Up to \$600 one-time payments for individuals making up to \$75,000
- \$600 per child
- Based on 2019 Tax Return



Pandemic Unemployment

- \$300 additional PUA through March 14, 2021



Surprise Medical Billing

- Protects patients from surprise billing and provides increased dispute resolution



COVID-19 Testing & Vaccine

- Support for additional testing, vaccine acquisition, and distribution



Foster Youth Support

- Temporary addition funding to support older foster youth, kin caregivers, at risk families, and other services



SBA Lending Enhancements

- Provides funding for SBA to cover Principal & Interest payments on new and existing microloan, 7(a), and 504 loans

Note from The SBA

“The SBA and Dept of Treasury will be working as quickly as possible to clarify and implement the policies, procedures, mechanisms, and timelines needed for any newly passed COVID-19 legislation. It is critical that we provide accurate, timely information, and we are committed to doing so. Please keep in mind that proposed legislation must be passed by both houses of Congress and Signed by the President of the United States before it becomes law, and then guidance has to be formulated based on that. It can take days or weeks. We will pass along any guidance there is when it is made available. Thank you for your patience.”



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RETURN STRONGER

