

# Moving Forward to the “New Normal”: PPP Update with the Massachusetts SBA District Office and the Massachusetts Small Business Development Center

June 25, 2020

# Speakers



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U.S. Small Business  
Administration



U.S. Small Business  
Administration

# Paycheck Protection Program (PPP) Report

# National Loan Size

Approvals through 06/20/2020

Loan Count	Net Dollars	Lender Count
4,666,560	\$514,939,789,916	5,456

Lender Size	Lender Count	Loan Count	Net Dollars	% of Amount
>\$50 B in Assets	34	1,601,262	\$188,455,623,221	37%
\$10 B to \$50 B in Assets	89	720,109	\$100,084,707,720	19%
<\$10 B in Assets	5,333	2,345,189	\$226,399,458,974	44%

*Totals reflect both rounds of PPP funding and cancellations through the report date. Cancellations do include duplicative loans, loans not closed for any reason, and loans that have been paid off.*



# National PPP Loan Size – Phases I & II

Approvals through 06/20/2020

Loan Size	Loan Count	Net Dollars	% of Count	% of Amount
\$50K and Under	3,064,336	\$55,987,179,541	65.7%	10.9%
>\$50K - \$100K	662,648	\$47,193,767,606	14.2%	9.2%
>\$100K - \$150K	287,175	\$35,157,045,956	6.2%	6.8%
>\$150K - \$350K	372,208	\$83,607,998,720	8.0%	16.2%
>\$350K - \$1M	197,919	\$112,593,061,665	4.2%	21.9%
>\$1M - \$2M	52,717	\$73,053,341,485	1.1%	14.2%
>\$2M - \$5M	24,741	\$73,546,628,249	0.5%	14.3%
>\$5M	4,816	\$33,800,766,694	0.1%	6.6%

**Overall average loan size was \$110,543 as of 06/19/20**

# National, Regional and State Data

National, Regional stats as of 06/20/2020

**Amount of Funding Remaining: \$128,355,981,685**

State	# Units	\$\$Amount
MA	108,925	\$14,199,057,483
CT	58,257	\$6,628,795,320
ME	26,400	\$2,228,185,817
NH	23,011	\$2,523,897,886
RI	16,620	\$1,865,533,955
VT	11,473	\$1,176,0523,186
<b>Totals</b>	<b>244,686</b>	<b>\$39,205,993,647</b>



# SBA Disaster Assistance

## Program Report

### Nationwide EIDL Loans

<b>Advances Approved</b>	<b>3,740,346</b>	<b>Total Dollars</b>	<b>\$12,314,661,000</b>
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**75,622 EIDL Advances in Massachusetts for \$255,704,000**



# National, Regional and State EIDL Approvals

Approvals through 06/21/2020

<b>Loans Approved</b>	<b>1,775,539</b>	<b>\$\$ Approved</b>	<b>\$113,307,061,331</b>
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<b>State</b>	<b># Units</b>	<b>\$\$Amount</b>
MA	32,449	\$2,200,328,900
CT	19,298	\$1,337,160,400
NH	7,036	\$470,505,500
ME	6,670	\$416,250,500
RI	5,596	\$349,627,700
VT	3,976	\$231,485,410
<b>Totals</b>	<b>75,025</b>	<b>\$5,005,358,410</b>

**Today's Presenter:**  
**Ili Spahiu**  
**Assistant District Director**  
**Massachusetts District Office**



## **SBA's Implementation of CARES Act Loan Programs Due to the COVID-19**

President Trump signed the Coronavirus Aid, Relief and Economic Security Act into law on March 27, 2020. The economic stimulus bill provides financial assistance to U.S. citizens and U.S. businesses.

On Friday, April 24, 2020 the President signed legislation providing an additional \$310 billion in funding for the Paycheck Protection Program (PPP), \$60 billion of which is reserved for community banks and small lenders.

Congress passed the Paycheck Protection Program (PPP) Flexibility Act, which became Public Law on Friday, June 5, 2020 providing substantially greater flexibility for Small Businesses

# Paycheck Protection Program Flexibility Act



**Extends the covered period for loan forgiveness from eight weeks after the date of loan disbursement to 24 weeks after the date of loan disbursement.**

**Borrowers who have already received PPP loans retain the option to use an eight-week covered period.**

Lowers the requirements that 75 percent of a borrower's loan proceeds must be used for payroll costs to 60 percent .

Borrowers are eligible for partial loan forgiveness if they use at least 60 percent of the loan forgiveness amount for payroll costs during the forgiveness covered period.

Extends the deferral period for borrower to 10 months after the end of the borrower's 24-week covered period or the date that SBA remits the borrower's loan forgiveness amount to the lender.

Increases the maturity of new PPP loans that are approved by SBA on or after June 5, 2020 to five years.

Provides new Safe Harbor deadline(s) of December 31, 2020 however, the last date on which a PPP loan application can be approved is still June 30, 2020

# Paycheck Protection Program Forgiveness Application

## 1. Forgiveness Application (Form 3508)

Revised on 6/17/2020

- Calculation Form/Certifications
- Schedule A/Worksheet A
- Demographic Info (optional)
- Instructions and Definitions

## 2. EZ Forgiveness Application (Form 3508EZ)

- Issued on 6/17/2020
- Instructions and Definitions



Paycheck Protection Program  
Loan Forgiveness Application Revised June 16, 2020

OMB Control Number 3245-0407  
Expiration Date: 10/31/2020

### PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	Business TIN (EIN, SSN)	Business Phone
	( ) -	
	Primary Contact	E-mail Address

SBA PPP Loan Number: \_\_\_\_\_ Lender PPP Loan Number: \_\_\_\_\_

PPP Loan Amount: \_\_\_\_\_ PPP Loan Disbursement Date: \_\_\_\_\_

Employees at Time of Loan Application: \_\_\_\_\_ Employees at Time of Forgiveness Application: \_\_\_\_\_

EIDL Advance Amount: \_\_\_\_\_ EIDL Application Number: \_\_\_\_\_

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly  Biweekly (every other week)  Twice a month  Monthly  Other \_\_\_\_\_



Paycheck Protection Program  
PPP Loan Forgiveness Application Form 3508EZ

OMB Control No. 3245-0407  
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Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
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Employees at Time of Loan Application: \_\_\_\_\_ Employees at Time of Forgiveness Application: \_\_\_\_\_

EIDL Advance Amount: \_\_\_\_\_ EIDL Application Number: \_\_\_\_\_

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly  Biweekly (every other week)  Twice a month  Monthly  Other \_\_\_\_\_

# PPP EZ Loan Forgiveness Application



The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application (Form 2483)

The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 **AND**

1. 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.  
**OR**
2. The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020

# PPP Forgiveness Process



- Borrower completes form 3508/3508EZ, or equivalent, and submits it to their lender.
- The lender reviews the application and documentation and submits a decision to the SBA within 60 days of receipt of a complete application requesting payment for the forgiveness amount of the loan
- SBA will remit the forgiveness amount to the lender within 90 days
- If the borrower received an EIDL advance amount, SBA will deduct this from the total forgiveness amount.
- Any amount not forgiven is payable pursuant to the note signed by the Borrower with a two or five-year maturity (if approved or amended on or after June 5, 2020) and a 1% fixed interest rate, subject to PPP loan payment deferment.



# Eligible Payroll Costs



- Payroll costs paid or incurred during the covered period are eligible for forgiveness
- Costs include salary, wages, commission, or similar compensations up to the \$100,000 cap pro-rated for the covered period (for 24 weeks, a maximum of \$46,154 per individual, 4 or for eight weeks, a maximum of \$15,385 per individual). Borrowers may also include estimated tips, bonuses and hazard pay as a form of eligible compensation subject to the cap.
  - Owner employees are capped by their 2019 employees cash compensation and employer retirement and health care contributions.
  - Self-employed individuals are limited to 8/52- or 2.5-Months of 2019 net income
  - General partners are calculated based on their 2019 net earning from self-employment
  - Costs for retirement or health insurance contribution for self-employed individuals or general partners are not eligible for forgiveness.
  - Other allowable costs include payment for vacation, parental, family, medical, or sick leave; payment for employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state & local taxes assessed on compensation



# Non-Payroll Costs



- All obligations and services must have been in place prior to 2/15/2020 to be considered.
- Cost include interest expenses on real or personal property (no principal payments), rent or lease payments on real or personal property, and utility costs
- Costs are eligible for forgiveness if they were paid during the covered period or incurred during the covered period and paid on or before the next billing date. Covered period begins at loan disbursement and extends 24 weeks.
- Costs can include past months payments if paid during the covered period but cannot include prepayment of services beyond the covered period.
- Non-payroll costs are limited to 40% of the forgiveness amount of the loan and can not include any prepayments.

# Safe Harbor on Maintaining FTEs



- Borrower must maintain their FTEs during the covered period as compared to the reference period
  - February 15, 2019 thru June 30, 2019 or
  - January 01, 2020 thru February 29, 2020 and
  - For seasonal businesses, any 12-week consecutive period between May 1, 2019 and September 15, 2019
- Forgiveness would be reduced proportionally by the percentage reduction in FTEs
- FTEs means 40 hours or more. If less than 40 hours, you can pro-rate or use .5 for any PT employees.
- The Borrower is exempt from such a reduction if the FTE Reduction Safe Harbor applies (Per PPP Flexibility Act New Safe Harbor date is December 31, 2020).

# Maintaining Employees Salary/Wages



- Forgiveness will be reduced by the dollar amount of any wage reduction in excess of 25 percent of salary/wages earned between 1/1/2020 through 3/31/2020
- Calculation is performed per employee not aggregate:
  - Step 1. Determine if pay (Salary or Wage) was reduced more than 25% by comparing avg. annual salary or hourly wage during covered period/alternative period to Q1, 2020.
  - Step 2 Determine if the Salary/Hourly Wage Reduction Safe Harbor is met by comparing salary/hourly wage from 2/15 to 4/26/20 to 2/15/20. If decrease is restored by the earlier of December 31, 2020 or date the application is submitted, safe harbor is met.
  - Step 3. If safe harbor is not met, calculate decrease in excess of 25%, annualize and pro-rate for 8 or 24 weeks to determine Salary/Hourly Wage reduction for that employee.
- Do not count anyone that was used as a FTE reduction if that applies
- Ultimately, only individuals with reduced salary or hourly rate would be considered.

# Documentation Required to Meet Safe Harbor



- Rehire and restore salary and wage levels by December 31, 2020 or earlier
- Document good faith offer to rehire and employee declines
  - Must be written offer during the covered period at the same salary and hours as their last regular pay period
  - Maintain record documenting offer and its rejection
  - Notify state unemployment office within 30 days of the employee rejection
- Document changes in head count for employees:
  - Fired for good cause
  - Voluntarily resigns
  - Voluntarily requests a reduced schedule

# PPP Loan Forgiveness Steps for Employers



- Add total eligible payroll and non-payroll costs incurred and paid during the covered period following disbursement
- Calculate any reduction in payroll greater than 25% of prior quarter by employee
- Reduce total eligible expenses by any payroll reduction (if applicable and safe harbor was not met)
- Calculate any % decrease in FTEs from 24-week covered period vs. comparison period
- Apply the % decrease in FTEs to eligible total expenses (if applicable and safe harbor was not met)
- Calculate whether payroll costs are at least 60% of eligible costs

# Summary - PPP Loan Forgiveness Process



- Calculate loan forgiveness amount as the lesser of:
  - Eligible total expenses after hourly wage or salary reductions and FTE reductions
  - Eligible payroll costs divided by .60 (to ensure that 60% of loan is spent on payroll)
  - Original PPP loan amount
- Owner compensation replacement, is calculated based on 2019 net profit, with forgiveness of such amounts limited to eight weeks' worth (8/52) of 2019 net profit (up to \$15,385) for an eight-week covered period or 2.5 months' worth (2.5/12) of 2019 net profit (up to \$20,833) for a 24-week covered period
- Covered expenses are limited to the extent claimed or entitled to be claimed on 2019 Schedule C (and in service prior to February 15, 2020).

# Massachusetts Small Business Development Center Network

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The MSBDC is committed to helping your business succeed in Mass. We provide free, confidential, one-to-one business advisory services and free or low-cost training programs to prospective and existing small businesses throughout the Commonwealth.





# Massachusetts Small Business Development Center Network

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Areas of assistance include:

- Business, strategic and disaster planning
- Help with EIDL & PPP loan programs
- Cash flow analysis and management
- Startup feasibility analysis
- Financing and capital access
- International trade
- SBIR and government procurement

# Mass Small Business Development Center Network

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## Sample Clients :

- 40 employee manufacturing firm
- Start up hairdresser
- 5 employee tech research firm
- 10 employee service company
- 30 employee restaurant

## Sample PPP & EIDL Loan Clients:

- 12 employee daycare center
- 2 employee dry cleaner
- 150 regional restaurant chain
- Sole proprietor landscaper
- 18 employee manufacturer

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## PPP & EIDL Loan Tips:

- Segregate loan funds into separate checking accounts
- Document everything
- Continue to marshal cash
- Plan for recovery while planning for extended downturn
- Reach out and ask questions: SBA, MSBDC, your lawyer, CPA, banker

# Mass Small Business Development Center Network

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**To make an appointment: please complete the  
online Request for Counseling Form  
[www.msbdc.org/semass/rfc](http://www.msbdc.org/semass/rfc)**



# QUESTIONS?



**THANK  
YOU**



***Contact [NutterEvents@Nutter.com](mailto:NutterEvents@Nutter.com) with any questions.***