



# WELCOME

Funding

A Deeper Dive into the Payment Protection Program.



# Today's Agenda & Housekeeping

- Focus: Payment Protection Program
- Our Speaker: Bruce Goblirsch, Market President, Merchants Bank, N.A.
- All participants muted
- Send Questions to Q&A
- Moderator: Karen Schaffhausen, Business Advisor – Dakota County, Open to Business

# Hello!

- Bruce Goblirsch, Market President, Merchants Bank, N.A.
- 34 years in banking
- Today's Goal



# The High-level Overview: Again!

## ■ \$2 Trillion Package

- *Through the Federal Reserve potential for additional \$4 trillion in support for the economy*
- *Referred to as the “Phase 3” Bill*

## ■ Automatic Payments to Individual Taxpayers

- *\$1,200 per individual (\$2,400 joint return) + \$500 per child*
- *Phased out for incomes above \$75,000 (\$150,000 joint)*

## ■ Expanded Unemployment

- *Most restrictions on eligibility suspended if related to COVID-19*
- *Additional \$600 per week on top of regular state benefit (through July 31)*
- *Eligibility ends when individual can return to work*
- *Benefits provided through State UI offices*

# SBA EIDL

## ■ SBA Economic Injury Disaster Loans

- *Small businesses and non-profits (including faith-based) with fewer than 500 employees, sole proprietors, independent contractors*
- *Up to \$2 million working capital loan up to 30-year term; 3.75% (2.75% non-profits)*
- *Payments deferred up to 1 year*
- *Loans based on credit scores; no tax returns required*
- *Up to \$200,000 without a personal guarantee*
- *No collateral for \$25,000 or less; general security interest instead of real-estate for larger loans*
- *\$10,000 emergency grant within 3 days that does not have to be repaid*
- *Interacts with Paycheck Protection Program*
- *Apply through [SBA.gov](https://www.sba.gov)*

# Cares Act – Details

## ■ Paycheck Protection Program

- *\$349 Billion in loans for small business (generally less than 500 employees), 501(c)(3)s, self-employed, sole proprietors, and independent contractors*
- *Loans equal to the lesser of 2 ½ months of average payroll or \$10 million*
- *Loans by local and national lenders*
- *Minimal requirements (e.g. no collateral, no personal guarantee)*
- *Loans convert to grants equal to amount spent on payroll, rent, interest on mortgage, and utilities for the 8 weeks after origination*
- *Loan forgiveness is reduced proportionally if the employer reduces number of FTEs*
- *Loan forgiveness is reduced if employer reduces wages by more than 25%*
- *Employer can avoid reduction in forgiveness if they bring back employees and restore wages generally within 30 days and maintain through June 30*

# Loan Program Comparison

Loan	Economic Injury Disaster Loan	Paycheck Protection Program
Who Should Apply	Business that are not in need of immediate funding	Business in need of more immediate cash infusion
What does it cover?	Operating expenses over the next 6 months.	Based on Average Monthly Payroll X 2.5
Maximum Amount of Benefit	\$2,000,000	\$10,000,000
Collateral Required	Yes for loan > \$25K	No
Personal Guarantee	Yes	No
Terms	30 Year (no payment 12mo.)	2 Years (no payments 6mo.)
Interest Rates	3.75% (2.75 for Non-profit)	1%
Forgivable	No *	Yes*
Processing Time	3 – 4 weeks	1 – 2 weeks
Who Processes	SBA	Local Bank Lenders

# PPP - Who Should Apply

- All business 500 employees or less including:
  - *Sole Proprietorships*
  - *Self Employed*
  - *Independent Contractors*
  - *Veterans Organizations*
  - *Nonprofits*
  - *Tribal Business concerns*
- For this program SBA's affiliation standards have been waived for small businesses



# PPP: Payroll Costs – Your Step 1 & 2

## What Counts As Payroll Costs?

- Salary, wages, commissions or tips (capped at \$100K for each empl)
- Employee benefits including vacation, leave of absence, allowance for separation/dismissal, health care incl premiums, retirement
- State and local taxes assessed on compensation
- For Sole Prop/Ind. Contractor: wages commissions, income or net earnings from self-employment

## How Do I Calculate?

- Average payroll for 12 months.
  - *With the stipulations outlined by the SBA*
- Multiply by 2.5
- That is the total loan amount you are qualified to receive.
- With a \$10Mill cap
- Note: If your business is seasonal or new you will use different applicable time periods for this calculation.

# Use of Paycheck Protection Program

- You have 8 weeks to spend the monies on:
  - *Payroll cost and benefits*
  - *Interest on mortgage obligations, incurred before Feb 15, 2020*
  - *Rent, under lease agreements in force before Feb 15, 2020 and*
  - *Utilities, for which service began before February 15, 2020*

# Loan Forgiveness

- Forgiveness is based on the business ability to maintain employees or quickly rehire.
  - *How long do I have to rehire? Until June 30 to restore your full-time employment and salary levels for any changes made between Feb 15, 2020 and April 26, 2020*
- Forgiveness will be reduced if full-time headcount declines or if salaries and wages decrease.
- You/Your business will owe money when your loan is due IF you use the loan amount for anything other than:
  - *Payroll costs, mortgage interest, rent and utilities payments over the 8 weeks after receiving the loan*
- It is anticipated that not more than 25% of the forgiven amount be for non-payroll expenses
- You/Your Business will owe money if you do not maintain your staff and payroll.

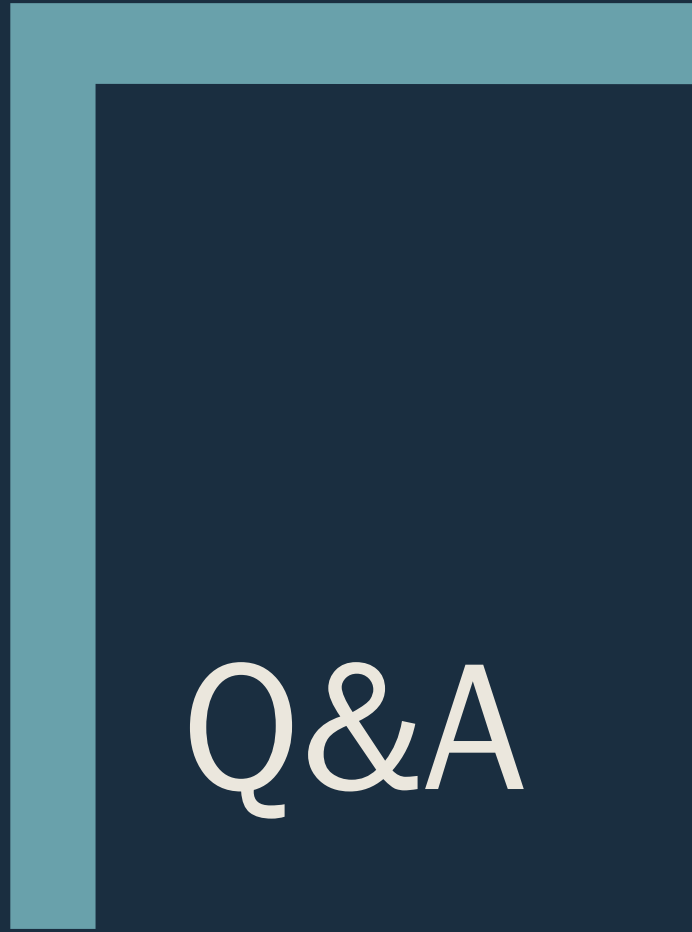
# How to Apply for Forgiveness

- You submit a request to your PPP lender
- The request will include certified documents that include:
  - *Verified number of FTE (or equivalent employees) & payrate*
  - *Payments on eligible mortgage, lease and utility obligations*
- Your loan forgiveness will be reduced if:
  - *you decrease your full-time head count*
  - *If you decrease the salaries and wages by more than 25% for any employee that made less than \$100K annually*

Note: Your lender has 60 days to process the forgiveness decision based on SBA guidance.

# Basic Process Overview

STEP	ACTION ITEMS
Step 1	Select a Bank if your current bank is not an approved SBA lender. Note sure?
Step 2	Fill out the application for the PPP loan (Submission Date)
Step 3	Submit your PPP Application to the Bank w/ supporting documentation
Step 4	Receive Communication from your lending institution
Step 5	Close the loan
Step 6	Pay the Bills and/or Hire Staff Back*
Step 7	Submit your Forgiveness Request to your PPP lender



Q&A

In Partnership  
with the Dakota  
County CDA &  
Chambers.

## Join Us:

This is the second in a series of at least 7 webinars focused on specific small business COVID -19 related issues.

- April 6 – Business Risk / Legal Considerations
- April 8 – Employee Management (Legal)
- April 10 – Creating On Line Value
- April 13 – Finances – CPA Approved!
- April 15 – Improving On Line Performance



# About Open-to Business



- Non-profit contacted by the 7 Metro Counties to provide free business consulting and gap financing.
- The recording of this seminar will be shared with county partners and posted on their website's.
- Thank you!

