

**IMPLEMENTING THE PAYCHECK  
PROTECTION PROGRAM  
(ROUND 2) TO  
SUSTAIN YOUR BUSINESS AND  
MISSION**

*Joe Recchie  
Community Building Partners  
January 20, 2021*

# Who We Are



## COMMUNITY BUILDING PARTNERS

Community Building Partners (an enterprise of Praxis Partners) empowers communities by repurposing the tools of business and development and sharing the benefits with nonprofit partners and community organizations.

# Who We Are



## COMMUNITY BUILDING PARTNERS

The founder of Praxis Partners, Joe Recchie, has 40 years of experience in community and economic development.

He has specialized in public-private initiatives, and has applied private sector business, finance and legal experience to support nonprofits and mission driven organizations.

# Our Experience with the First Paycheck Protection Program



COMMUNITY  
BUILDING PARTNERS



COMMODORE  
BANK

**Facilitated 76 loans for \$2.23 million.**

**Average loan size of ~\$30,000.**

*(Avg. PPP loan nationwide was ~\$100,000: our partnership filled a need supporting businesses with smaller payrolls, both in urban and rural Ohio).*

**Conducted Outreach with 200+ organizations.**

*Provided ongoing resources and program updates*

# New Legislation: December Covid-19 Relief Package.

## *Small Business Support*

### **Second Paycheck Protection Program.**

\$284 Billion For PPP Loans (this is a smaller pot of \$ than the first iteration of this program, which ran out in 2 weeks).

Expanded eligibility for PPP applicants.

New program requirements.

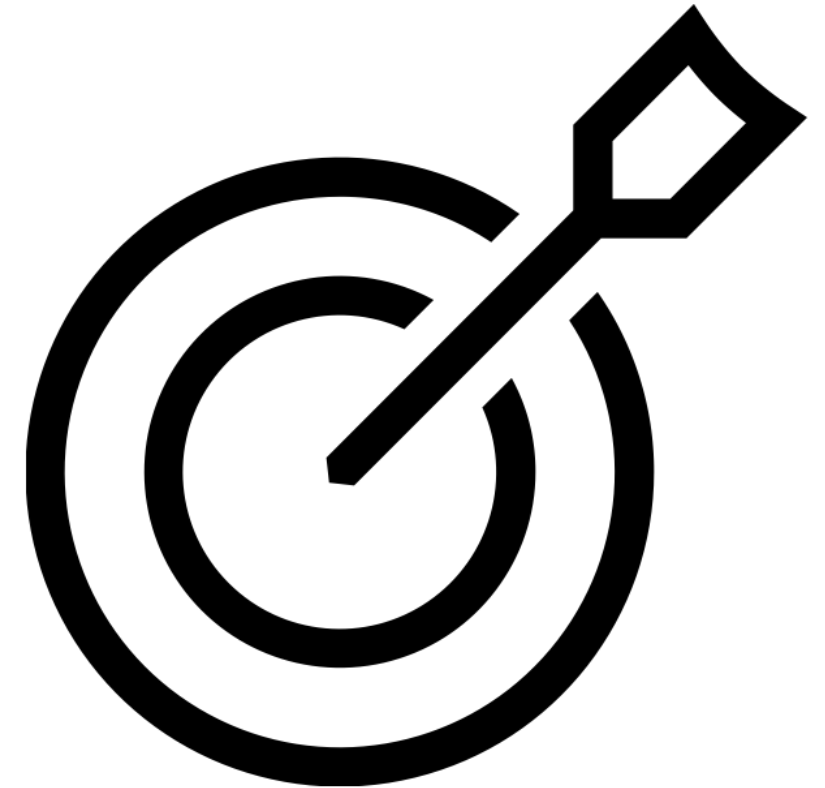
**Forgivable loans designed to help your business meet payroll and keep employees employed.**

**With the challenging economic climate,  
we're partnering with Commodore Bank on  
the PPP Round 2.**

# Today's Objectives

## Understand:

1. PPP Round 2 Overview.
2. Additional Programs Assist Your Business.
3. Frequently Asked Questions
4. Appendix and Additional Resources



# PPP Round 2 Overview



# PPP Round 2 Overview

*Four Requirements to Determine Eligibility for Second PPP Loan.*

1.

25%

Reduction in Gross Receipts.

**How to Demonstrate:** Measure comparing quarterly receipts from the 1st, 2<sup>nd</sup>, 3<sup>rd</sup> or 4<sup>th</sup> Q of 2020 and comparing the same Quarter of 2019.

2.

Business must have less than

**300** employees.

# PPP Round 2 Overview

*Four Requirements to Determine Eligibility for Second PPP Loan.*

3.

Business must have used (or will use) the entirety of their first PPP loan.

4.

You must have been in business by Feb. 15, 2020 .

**If you meet all four of these requirements,  
you are eligible to apply for a second PPP loan.**

# PPP Round 2 Overview

*How much am I eligible to apply for?*

## Most Businesses and Organizations

You can apply directly for a loan amount at **2.5x** your average monthly payroll costs.

*Ex. If your business spends \$10,000 per month on payroll, you're eligible for a \$25,000 loan.*

## Restaurants and Hospitality\*

You can apply directly for a loan amount at **3.5x** your average monthly payroll costs.

*Ex. If your restaurant spends \$10,000 per month on payroll, you're eligible for a \$35,000 loan.*

*\* Entities categorized under NAICS code 72.*

# PPP Round 2 Overview

*How can I spend my second PPP loan?*

**60%**

Of Loan Amount Must Be  
Used on Payroll Expenses\*

*\*Borrowers may either use Calendar Year 2019 or Calendar Year 2020 to calculate costs.*

**40%**

Of Loan Amount Can Be  
Used on Other Eligible  
Expenses\*\*

*\*\*Eligible Expenses have expanded. See Slide 26 for complete list, includes: Covered Operations Expenditures, Covered Property Damage, Covered Supplier Costs, and Covered Worker Expenditures*

**Remember: Increased list of eligible expenses does not mean your loan amount is bigger, you can just use your PPP loan for more items.**

# PPP Round 2 Overview

## *When Can I Apply?*

- The application window opens on **January 19, 2021**.
- Although the program is open until **March 31, 2021**, we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan.



# PPP Round 2 Overview

## *What Do I Need to Apply?*

**If you are applying for PPP Round 2 with Praxia and Commodore, you will need to submit the following:**

1. Loan Application.
2. Documentation proving 25% gross receipts reduction.\*
3. All documentation that you submitted in Round 1, including payroll, rent, utilities, etc.

**\*Sufficient Documentation to prove Gross Receipts Reduction:**

1. P&L Statements showing a 25% reduction in revenue from 2019 to 2020 in selected quarter.
2. We will accept quarterly Bank statements with revenue related to deposits (as long as you provide a summary of the Deposits).
3. If you have your 2020 tax returns, you can submit those in comparison to 2019 tax returns.

# PPP Round 2 Overview

## *What Do I Need to Apply?*

**Remember: We are requesting all documentation upfront to ensure you can meet 100% forgiveness when you use the loans. We are well above the national average in the first round in ensuring our applicants received full forgiveness for their loans. We want to continue to ensure that in this Round.**

# PPP Round 2 Overview

*Where do I apply?*

If you are going to apply with Praxia and Commodore, please visit

[www.commodorebank.com](http://www.commodorebank.com) to apply.

Otherwise, check with your lender.

Apply directly through a bank, not the SBA.



# Additional Programs to Assist Your Business

# Additional Programs to Assist Your Business

## *The EIDL Program.*

# The EIDL program.

**This is not a forgivable loan like the PPP. The \$10,000 forgivable EIDL advance given in Round 1 to PPP applicants, will not be forgivable in Round 2.**

An eligible entity:

- Located in a low-income community.
- Has suffered an economic loss of greater than 30%
- Employs 300 people or less.

Loan Terms:

- 30 years.
- 3% Interest rate.

# Additional Programs to Assist Your Business

*The “Save Our Stages” Grants.*

**\$15 Billion in  
“Save Our  
Stages”  
Grants.**

- For for-profit and non-profit music venues and businesses in the entertainment space that rely on live audiences.
- Tiered priority to grant awards, depending on severity of financial impact in 2020.
- Apply directly to the SBA, more information coming soon.

# Frequently Asked Questions

# Frequently Asked Questions

1. What if I didn't receive a PPP loan in Round 1? What if I didn't maximize the full amount of my Round 1 loan?
2. Unique circumstances for borrowers.
3. What is the required documentation, and expanded list of eligible expenses?
4. Loan Calculation
5. Loan Forgiveness
6. Loan Terms and Certification



# Frequently Asked Questions

- **What if I didn't receive a PPP loan in Round 1?**

*You are still eligible to apply. Contact us directly at **paycheckprotection@praxia-partners.com** and we will walk you through it.*

- What if I didn't maximize the full amount of my Round 1 loan? (E.g. I returned part of it because I was concerned about forgiveness, or for Partnerships, I submitted just for the employees, and not for the partners.)

*You may eligible to recoup a certain amount of that. Contact us directly and we will review the loan specifics.*

# Unique Circumstances for Borrowers

- The SBA has released hundreds of pages of guidance on this legislation. There are provisions for businesses in unique industries that probably won't apply to most borrowers.

## Questions around:

- Seasonal Employers,
  - Expanded eligibility for farmers
  - New definitions for borrower eligibility, etc.
- 
- If you have any questions, please reach out directly to us at **[paycheckprotection@praxia-partners.com](mailto:paycheckprotection@praxia-partners.com)** to discuss with us.

# Documentation and Expanded Eligible Expenses



# Documentation and Eligible Expenses

*What can I use this loan for?\**

- Payroll costs, including benefits
- Interest on mortgage obligations,
- Rent,
- Utilities



# Documentation and Eligible Expenses

*What can I use this loan for?* ★

- **Covered Operations Expenditures**, (including payments for business software or cloud computing necessary for remote work)
- **Covered Property Damage**, (uninsured property damage caused by looting or vandalism in 2020)
- **Covered Supplier Costs** (certain supplier costs and expenses for operations)
- **Covered Worker Protection Expenditures**, includes expenses required to comply with government Covid-19 requirements (including sneeze guards, ventilation systems, the expansion of outdoor space, etc.)



*New in PPP Round 2, but non-payroll costs can only total 40%.*

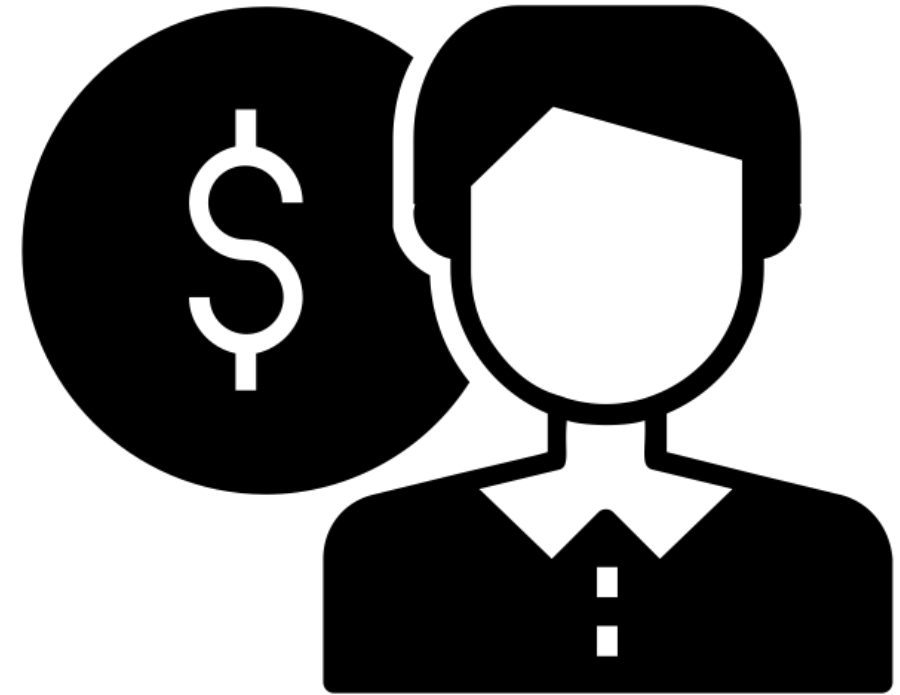
# Additional FAQ's for your reference:

*Note: if you are familiar with the program this  
isn't new information.*

# Documentation and Eligible Expenses

*What counts as payroll costs?* ★

- Employee Gross wages
- All employer state and local taxes paid on employee gross pay, such as state unemployment insurance and employer-paid state disability insurance (in applicable states)
- Employer health care benefits, including insurance premiums
- Retirement benefits, including employer 401(k) contributions

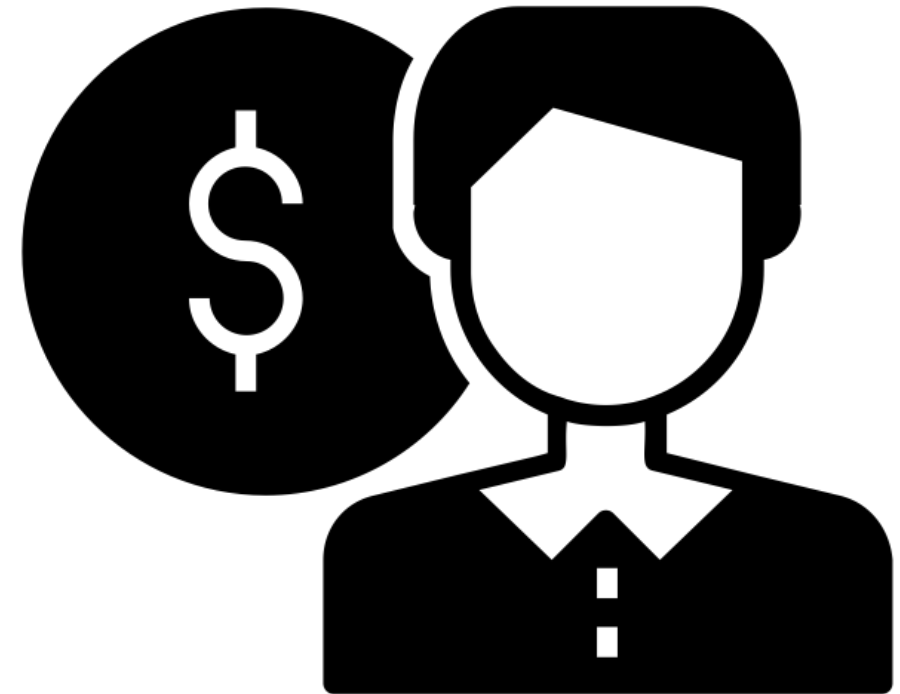


***This is where most errors are occurring in applications to date.***

# Documentation and Eligible Expenses

*What does not count as payroll costs? ★*

- Employee gross pay that exceeds \$100,000
- Payments to independent contractors
- Workers compensation premiums
- Federal unemployment tax
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act
- The employer portion of federal employment taxes (i.e. FICA and Medicare) are **not** included.

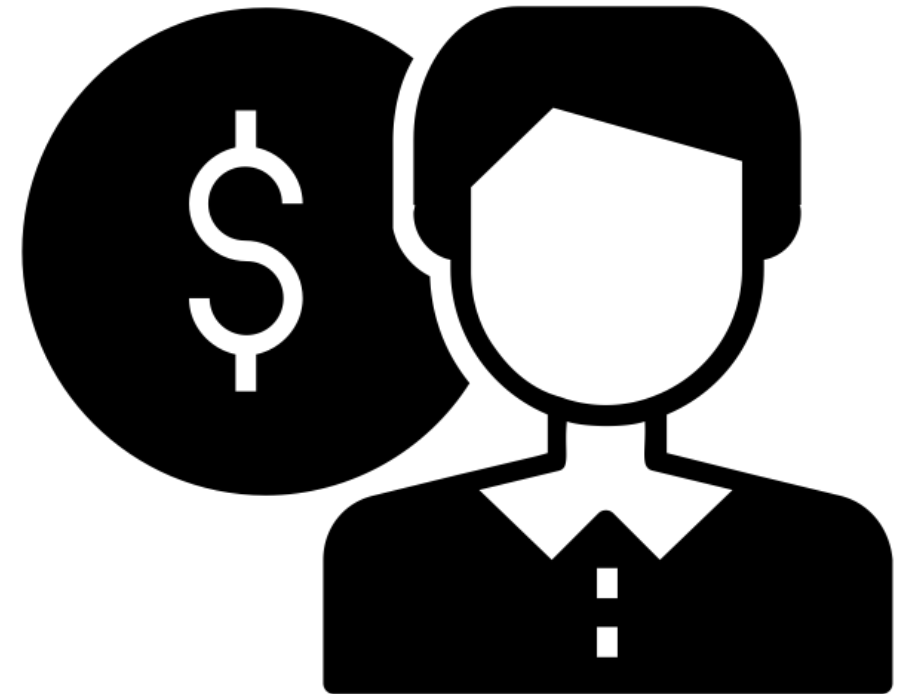


***This is where most errors are occurring in applications to date.***

# Documentation and Eligible Expenses

## *What are eligible costs for Sole Proprietors and Independent Contractors*

1. Applicants can borrow 2.5 times your average monthly “payroll costs.”
2. Payroll costs are defined as net earnings from self-employment.
3. Loan forgiveness is available if you spend 60% of the loan proceeds on payroll costs and 40% on mortgage, rent, and utilities and other eligible expenses. Must spend in the 8-24 weeks following the receipt of the loan proceeds.



# Documentation and Eligible Expenses

## *Does the PPP cover paid sick leave?*

- Yes, the PPP covers payroll costs, which include employee benefits such as costs for parental, family, medical, or sick leave. However, it is worth noting that the CARES Act expressly excludes qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116–127). Learn more about the FFCRA's Paid Sick Leave Refundable Credit online.

# FAQ: What documentation will need to be attached to the application?

The language in the CARES Act briefly touches on the documents needed for the loan application, stating the need to provide:

*“Documentation as is necessary to establish such individual as eligible, including payroll tax filings reported to the Internal Revenue Service, Forms 1099–MISC, and income and expenses from the sole proprietorship, as determined by the Administrator and the Secretary.”*



# FAQ: What documentation will need to be attached to the application?

Business income and expense can be established with either the 2019 Form 1040, Schedule C and/or internal financial statements (balance sheet and income statement). In normal times, a Schedule C would carry more weight. These aren't normal times and financial statements may suffice. But it's ultimately up to the Administrator and the Secretary. Your lender may ask you to provide additional document based on their internal requirements. At minimum, you should be prepared to include the following documents (if applicable):  
2019 tax return, including Schedule C. and/or Schedule 1.

- If your 2019 tax return is not complete, attach the 2019 financial statements along with a 2018 tax return.
- All 2019 Form 1099-MISC.
- 2019 payroll tax forms 940/941.
- Any other documents that can substantiate income, including invoices, bank statements, and earnings statements.

# Loan Calculation FAQ's

# Paycheck Protection Loan Calculation for Business with Employees

- For businesses with employees, you simply take the net self-employment earnings from Schedule C line 31, add back employee wages, employer health insurance costs for employees, and employer retirement plan contribution for employees. Take that number and divide by 12 months to get your average monthly “payroll cost.” Then multiply by 2.5.
- Wages for any employee, as well as the net self-employment income from Schedule C line 31, may not exceed \$100,000 per employee for the purposes of this calculation.

# Paycheck Protection Loan Calculation for Business without Employees

- For businesses without employees, you simply take the net self-employment earnings from Schedule C line 31, and/or Schedule 1 line 8, divide by 12 months to get your average monthly “payroll cost.” Then multiply by 2.5.

# What about self-employed deductions such as home office expense, 1/2 self-employment tax deduction, self-employed retirement and health care deductions? How are those factored into the PPP calculation?

- Net self-employment earnings reported on Schedule C line 31 is after the home office deduction, which is line 30 of Schedule C. That deduction will cause a reduction in the average monthly payroll cost. The deductions for 1/2 self-employment tax, self-employment health insurance, and self-employment retirement plans (like a SEP IRAs or solo 401ks) are not factored into the net self-employment earnings calculation. They are adjustments to income to arrive at Adjusted Gross Income, not adjustments to arrive at net self-employment earnings. Likewise, backing out the 1/2 self-employment tax is only used to determine the amount of net self-employment income subject to self-employment tax. It does not change the net self-employment earnings number.

# What if you have multiple Schedule C businesses?

- If you have multiple Schedule C businesses, you can include the net self-employment earnings from each entity in the PPP calculation.

# Loan Forgiveness

# Loan Forgiveness

*Your loans will be forgiven as long as...*

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8-24 week period after the loan is made

**AND**

- Employee and compensation levels are maintained.





# Loan Forgiveness

*How much of my loan will be forgiven?*

- You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, utilities payments and other eligible expenses over the 8-24 weeks after getting the loan.
- You will also owe money if you do not maintain your staff and payroll.

# Loan Forgiveness

*How much of my loan will be forgiven?*

- **Number of Staff:** Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- **Level of Payroll:** Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- **Re-Hiring:** You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

# Loan Forgiveness

## *Loan Forgiveness Application*

The SBA is developing a new loan forgiveness process for applicants under \$150,000. Once we have more information in the forgiveness phase, we will review that with you.

# Loan Forgiveness

## *Loan Forgiveness Application*

No forgiveness is permitted without providing the above documentation.

The lender is required to issue a decision on the loan forgiveness application within 60 days of its submission.

# Loan Terms and Certification

# Loan Terms and Certification

## *How large can my loan be?*

- Loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount. That amount is subject to a \$2 million cap. If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at \$100,000 annualized for each employee.

# Loan Terms and Certification

## *What are my loan terms?*

### **What is my interest rate?**

- 1.00% fixed rate.

### **When do I need to start paying interest on my loan?**

- All payments are deferred for 6 months; however, interest will continue to accrue over this period.

### **When is my loan due?**

- In 2 years.

### **Can I pay my loan earlier than 2 years?**

- Yes. There are no prepayment penalties or fees.



# Loan Terms and Certification

## *What are my loan terms?*

**Do I need to pledge any collateral for these loans?**

- No. No collateral is required.

**Do I need to personally guarantee this loan?**

- No. There is no personal guarantee requirement.

\*\*\*However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.\*\*\*





# Loan Terms and Certification

## *What do I need to certify?*

### **As part of your application, you need to certify in good faith that:**

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments, or other new eligible expenses.
- You have not and will not a second PPP Draw (all applicants for a second loan will have received a first PPP loan).
- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.

# Loan Terms and Certification

*What do I need to certify?*

Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and new covered expenses in Round 2.

# Loan Terms and Certification

*What do I need to certify?*

*All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.*

*You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.*

# Loan Terms and Certification

*How many loans can I take out?*

1

# Additional Questions:

Please Contact Us at:  
[paycheckprotection@praxia-  
partners.com](mailto:paycheckprotection@praxia-partners.com)