



ACCESS TO CAPITAL:

Bridging The Gap

VIRTUAL EVENT

Q&A: HOW TO OBTAIN PPP LOANS

Presenter:

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Q: How do I stay up to date on PPP and changes to it?

A: There have constantly been changes in regulations and procedures, most of them to the benefit of small businesses. I would suggest staying in touch through the SBA website, which will be the best way to stay on top of new information around PPP. For those who have any additional questions, I can provide my email address: abenson@trufund.org. This is one of the advantages of CDFIs - we have a personal touch so that you can have staff to walk you through the entire process. This way, you know that your application is filled out correctly and that all of your supporting documents are in order.

Q: I own a staffing agency and also have a small sole proprietor consulting firm. Do I include revenue from both companies or do I file separately for each? Also, does the sole proprietorship fall under the new window that has opened up today?

A: If you're receiving a 1099 or Schedule C, you can apply separately for each of those companies. As for the new window, we're still waiting on the new application that involves using line 7 as opposed to line 31, but that should be ready in early March. It's probably worth starting the process and getting your paperwork together now, but the directions on the application won't be up to date for what you need quite yet. It would be helpful to get help with validation from your bank. It would also be helpful to get your 941 ready. Make sure you have the paperwork ready for the full compensation you pay out. Sixty percent of your expenses through PPP must go to payroll and the rest can go to other things like utilities, leases, and interest on mortgages if you own your building. That information must also have been in place prior to February 15, 2020. You should also have your incorporation information, bylaws, and information about anyone who is at least a 20% owner.

Q: Do CDFIs like TruFund provide assistance in filling out the application?

A: Yes, we do. While we can't fill out the application for you, we can send you a different form that will collect some additional information, especially demographic information. TruFund has processed almost \$15 million in loans to over 400 businesses. 87% of our loans went to minority businesses. We were able to use this information to emphasize the importance of CDFIs, who have relationships with the people hardest hit by the pandemic.

This is why we collect that information. We'll then help you apply using the SBA application – the first draw application if you haven't received funds and the second draw if you have. We'll make this very clear in the email we send to you.

If you're applying for a second draw, you'll go through a validation process with the SBA. If you've already applied for forgiveness, they'll look into the status of that. You don't have to have received forgiveness, but they'll want to ensure there aren't any issues with the forgiveness process. They will also want to see that things like dates, staff salaries, and so on match up to ensure there is no fraud. You complete the application and we review it for missing information, incorrect calculations, and so on. We are prohibited from making the changes ourselves, but we'll work very closely with you to make sure everything you submit is accurate.

Q: How much information and detail do you typically require for a smaller business?

A: We need either your tax return or your 941. We also need your payroll documents, because the payment is 2.5 times your payroll unless you're in a hospitality industry, in which case it is a multiplier of 3.5. You don't need an accountant-prepared financial document.

Q: What does your credit score need to be?

A: Personal credit score is not a factor for PPP. You're not a guarantor. This is not a determination of whether you're creditworthy; it's a way of keeping people employed and keeping businesses open.

Q: Does this take into account that you may not have paid yourself as the owner?

A: Gross revenue is considered going forward in cases where you have a sole proprietorship, but it is important to have been showing all of your employees on the books. It depends on what your business's legal entity status is to determine what you are eligible for.

Q: What are the breakdowns of funds requirements?

A: 60 percent of the funds go for payroll, and the remaining 40% is things like rent, utilities, and mortgage interest (if you own your building).

Q: We had some employees for the first couple of months of the year, but not after that. Should we still apply?

A: Yes. There is a cap at \$100,000 in pay per employee. In addition to payroll, there are also other things to consider, such as property damage costs, worker protection expenditures like PPE, as well as supplier costs. You have to be able to demonstrate those costs, but this

could all fall under the 40% that isn't required for payroll. It is worth applying even if the amount you are seeking is very low. These funds are forgivable as long as you follow the SBA requirements. The expenditures can cover 8-24 weeks, and most businesses select 24 weeks. There is also a lot of information available on how to ensure your loan is forgiven.

Q: Can I use 2020 information or only 2019 information?

A: You can use both, depending on your situation. You do not have to run out to get your 2020 tax return finished, you just need your 2020 financial documents.

Q: Is there any addition information we should know?

A: In any quarter, you need to be able to demonstrate a 25% decline in receipts in order to be eligible for the second draw. Don't let this pass you by because you think the process is too difficult. We can help you. You're also able to apply for other loans as well that are less strict around the employee requirements, such as the New York Forward Loan Fund, which has a handful of lenders. It isn't a forgivable loan, but it has a low interest rate and is flexible in terms of payments. TruFund also has a similar COVID-19 relief loan that you can borrow under. PPP will not be affected by the amount you get from one of these loans. However, the other loans will look at whether you got PPP to make sure they're not duplicating coverage from other loans.