Paycheck Protection Program (PPP)
Overview of Loan Forgiveness

Information based on SBA guidance as of June 5, 2020
Updated 6.18.20

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Where do I apply for loan forgiveness?

Two ways to access the M&T online loan forgiveness application:

- Through M&T’s online banking portals – Online Banking for Business, WebInfo Plu$ or Treasury Center; or

Application tips:

- Have all necessary documentation and SBA worksheets ready before beginning.
- The SBA PPP loan number and Lender PPP loan number will be provided in M&T’s online application – no need to gather ahead of time.
- Check with payroll provider to collect documentation.
- The loan forgiveness applicant should be the same person who applied for the PPP loan.

When will the M&T online application be available?

The target launch date for the PPP loan forgiveness application is late June / early July.

Note: Be on the lookout for an email from M&T on when it is time to apply.

When should I apply?

Recommend applying as soon as your covered period ends or when the loan forgiveness application is open.

Note: You need to apply for loan forgiveness with the bank that originated your PPP loan.
What do I need to know about the Paycheck Protection Program Flexibility Act?

On June 5, 2020, the President signed into law the PPP “Flexibility Act.” The law is designed to give small businesses more flexibility and time to make qualifying expenditures for loan forgiveness.

What the Flexibility Act covers:

- Lengthens the forgiveness “covered period” from an 8-week period (56 days) to 24-weeks (168 days), but no later than December 31, 2020
  - Borrowers who received their PPP loan before June 5, 2020, maintain the option to use the original 8-week period
- Extends the PPP loan payment deferral period from 6 months, to the date on which your eligible forgiveness amount is remitted to the lender. For borrowers who do not apply for forgiveness within 10 months after the end of the covered period, the deferral period will end at that time as well
- Revises the 75/25 payroll/non-payroll cost minimum requirement to 60/40
- Allows borrowers to delay their payroll tax payments through the end of 2020. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount due by December 31, 2021, and the other half due by December 21, 2022
- Provides an additional exemption from loan forgiveness reduction based on inability to rehire (in good faith) the same Full-Time Equivalent (FTE) level or to the same level of business activity before February 2020
- Payroll costs capped at $100,000 of annualized pay per employee (8-weeks = maximum of $15,385 per individual or 24-weeks = maximum of $46,154 per individual)
What do I need to know about the new SBA Loan Forgiveness Application?

On June 17, 2020, the SBA issued updated loan forgiveness applications and instructions. Print and review the SBA Forms and Instructions. Gain an understanding of what data is needed and consult your legal and tax professional.

Key highlights:

- There are two loan forgiveness applications available. Be sure to review both to see which option will be better suited for your business:
  - Loan Forgiveness Application Form EZ (instructions)
  - Loan Forgiveness Application (instructions)
- Borrowers will still need to supply the necessary documentation as part of the loan forgiveness application process:
  - Schedule A (full loan forgiveness applications only), Schedule A Worksheet, proof of expenses and payments

Things you should know:

- The loan forgiveness form calculations need to be done prior to completing the loan forgiveness application via M&T’s online portal
- Borrowers will need to retain information for 6 years
- Need to provide additional information on FTEs that wasn’t required during the application process:
  - Employee names, last 4 digits of SSN, breakout of over/under $100,000 annualized income
How does loan forgiveness work?

PPP loans may be eligible for loan forgiveness if the borrower uses the proceeds to maintain payroll and eligible business expenses.

What costs are eligible for loan forgiveness?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the covered period:

<table>
<thead>
<tr>
<th>Costs</th>
<th>Usage for payroll costs</th>
<th>Usage for other eligible business expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll costs</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Business mortgage interest</td>
<td>Minimum</td>
<td></td>
</tr>
<tr>
<td>Payroll expenses, including health and retirement benefits, and payment of state and local taxes imposed on employee payroll</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business rent &amp; lease agreements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business utilities payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity, gas, water, transportation, telephone, and internet access</td>
<td></td>
<td>Note: Mortgage loans, rent &amp; lease agreements, and utilities had to be in effect before February 15, 2020</td>
</tr>
</tbody>
</table>
What do Independent Contractors, Self-Employed Individuals and Sole Proprietors need to know?

An Owner Employee is defined as having >=20% ownership in the business.

Key highlights:

- Owner employee compensation for **8-week period** is capped at lesser of 8/52 of 2019 net profits or $15,385 per business
- Owner employee compensation for **24-week period** is 2.5 months’ worth (2.5/12) of 2019 net profit up to $20,833 per business
  - Excluding any qualified sick leave amount for which a credit is claimed under the Families First Coronavirus Response Act (Section 7002 or 7004)
- Business owners with employees can use payroll and non-payroll expenses for the employees themselves, but not for the owner(s)
  - Only exception is W2 Owner Employee

Payroll Expenses:

- Provide Form 1040 Schedule C or Schedule F demonstrating profitability
- Borrowers without employees will be automatically eligible for 8/52 or (2.5/12) of 2019 net profit. No cancelled checks or statements for payroll expenses will be required

Non-Payroll Expenses:

- Health benefits or retirement plan contributions are not included. However, owner employees that have a W2 can include health and retirement benefits
What are some important considerations to know regarding loan forgiveness?

**Loan Forgiveness Covered Period:**

- The "Covered Period" is 8-weeks (56 days) OR 24-weeks (168 days), but no later than December 31, 2020, from date of loan disbursement. Note: borrowers with loans prior to June 5 can still elect to use 8-weeks
- Alternative payroll covered period begins 8-weeks (56 days) OR 24-weeks (168 days), from the first day of the first payroll cycle in the Covered Period

**Exemption Based on Employee Availability:**

If you apply for loan forgiveness by December 31, 2020, you have additional options to help cure FTE reductions if one of the following conditions are met and documented in good faith:

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Borrower was unable to rehire those employees that were employed on February 15, 2020, AND</td>
<td>The Borrower was unable to return to the same level of business activity as prior to February 15, 2020 due to compliance with federal or state requirements, guidance related to sanitation, social distancing or other safety requirement related to COVID-19</td>
</tr>
<tr>
<td>The Borrower was also unable to hire similarly qualified employees for those unfilled positions prior to applying for loan forgiveness</td>
<td></td>
</tr>
</tbody>
</table>

**FTE reduction exceptions:**

A borrower may exclude any reduction in full-time equivalent employee headcount that is attributable to an individual employee if:

- The borrower made a good faith written offer for rehire (or restore) during the applicable covered period
- The offer was the same salary/wages and same hours as the last pay period prior to separation or reduction, and
- The offer was rejected by the employee

Note:

- Borrower must retain records of the offer and the rejection
- Borrower is obligated to notify the state unemployment insurance office of employee’s rejection within 30 days

Have until at least December 31, 2020 to restore your full-time equivalent employee and salary/wage.
What documentation is needed?

Gather and scan PDF copies of the documentation listed below. Ensure PDF documents are not password protected before uploading to the online application.

Note: While the Schedule A Worksheet isn’t required for the application, the borrower must retain all PPP-related records for 6 years.

Payroll Expenses

- Bank account statements or third-party payroll service provider reports documenting **cash compensation paid to employees**

- Tax forms or equivalent third-party payroll service provider reports for: **payroll tax filings and state quarterly wage reporting and unemployment insurance tax filings**

- Payment receipts, cancelled checks, or account statements documenting **employee health insurance and retirement plan contributions**

FTE Documentation:
Any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule; documentation showing average number of FTE employees

Non Payroll Expenses

Business mortgage interest payments:
- Amortization schedule and cancelled checks OR
- Bank statements from February 2020 and each month of the Covered Period, plus one additional month

Business rent and lease payments:
- Copy of current lease and receipts OR
- Cancelled checks or bank statements from February 2020 and each month of the Covered Period, plus one additional month

Business utility payments:
- Copy of invoices from February 2020 and those paid during each month of the Covered Period, plus one additional month AND
- Receipts, cancelled checks, or account statements
What happens to the portion of my PPP loan that isn’t forgiven?

For any amount not forgiven, the original terms in the promissory note will apply

1% APR  
24 mo.  
Loan Term

The time in which you apply for loan forgiveness will impact your principal and interest (P&I) payment start date.

If you apply for loan forgiveness by December 31, 2020:
• Required payments of P&I will be deferred until the date M&T receives the forgivable amount of the loan from the SBA
If you don’t apply for loan forgiveness by December 31, 2020:
• The P&I payments will be deferred 10 months past the last day of the covered period

Monthly P&I payments will be re-calculated
- Once forgiveness has been determined
- Based on the remaining balance over the remaining term

No pre-payment penalties

Pay back unused funds

OR

Any excess funds requested that weren’t used

If the SBA deems you ineligible for loan forgiveness (in whole or in part), the unforgiven loan amount will need to be paid in full per the terms and conditions of the note

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Where do I go for information or questions regarding loan forgiveness?

Please check our website at www.mtb.com/business-informed for updates to FAQs, tools and resources regarding loan forgiveness.

If you need assistance, please call:

- Your Relationship Manager or Branch Manager
- Telephone Banking Center: 1-800-724-6070

Be on the lookout for emails from M&T regarding loan forgiveness:

- Insights on loan forgiveness
- When it’s time to apply for loan forgiveness
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