

Paycheck Protection Program (PPP) Overview of Loan Forgiveness

Information based on SBA guidance as of June 17, 2020

Updated: July 8, 2020



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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
- “Apply Now” link on www.mtb.com/business-informed

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?



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

When should I apply?



When 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 31, 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 inability to return (in good faith) 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 16, 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:



Payroll costs



Business mortgage interest



Business rent & lease agreements



Business utilities payments

Electricity, gas, water, transportation, telephone, and internet access

60% Usage for payroll costs

Minimum

Payroll expenses, including health and retirement benefits, and payment of state and local taxes imposed on employee payroll

40% Usage for other eligible business expenses

Interest on business mortgage obligations, rent/leases and utilities

Note: Mortgage loans, rent & lease agreements, and utilities had to be in effect before February 15, 2020

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

Have until at least



December 31, 2020



to restore your full-time equivalent employee and salary/wage

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:

Scenario 1

Scenario 2

- ✓ The Borrower was unable to rehire those employees that were employed on February 15, 2020, AND
- ✓ The Borrower was also unable to hire similarly qualified employees for those unfilled positions prior to applying for loan forgiveness

- ✓ 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

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

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

24mo.*

Loan Term

* Term may be extended upon borrower and lender agreement. If loan obtained on or after June 5, 2020 loan term is 5 years

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

No pre-payment penalties



Pay back unused funds
OR

Any excess funds requested that weren't used



Monthly P&I payments will be re-calculated

- Once forgiveness has been determined
- Based on the remaining balance over the remaining term

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



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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