



Paycheck Protection Program – Loan Forgiveness

Today's Speakers



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www.orangebanktrust.com/pppforiveness

What this presentation covers

- Orange Bank & Trust and our relationship with the SBA
- Orange Bank & Trust Paycheck Protection Program results to date
- What is the process for applying for loan forgiveness?
- How is my loan forgiveness amount calculated?
- How can I maximize the loan forgiveness amount?

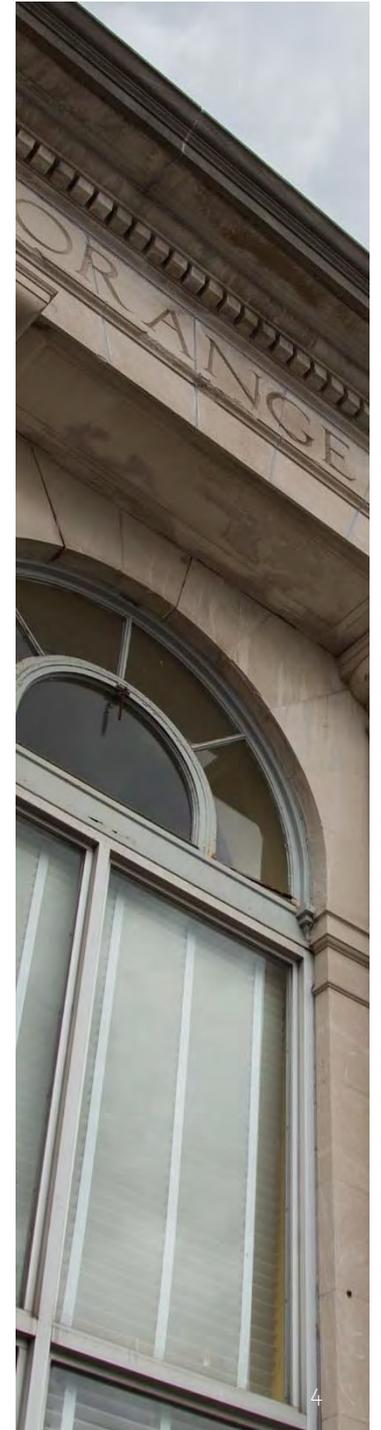
This presentation is for informational purposes only, each borrower should work closely with their business advisors to ensure that they are maximizing their PPP forgiveness.

ABOUT US

✓ Mission Statement - Well-capitalized, community-focused financial institution that delivers a tailored experience for our customers

✓ 125+ years operating experience/13 branches in Orange, Westchester and Rockland Counties

✓ Community-focused lender 100% invested in our borrowers' success



Orange Bank & Trust and the Small Business Administration (SBA)

- Paycheck Protection Program (PPP) through OB&T
- The Small Business Administration (SBA) provides the rules and regulations for the program
- The Bank will collect and submit all applications for the loan forgiveness portion of the PPP program based on the process and instructions outlined by the SBA

Orange Bank's goals for loan forgiveness

- We will proceed cautiously to maximize the forgiveness and minimize the level of difficulty in obtaining this forgiveness
- We will provide updated guidance and information as it becomes available from the SBA to ensure you can maximize your loan forgiveness
 - This may occur through future webinars and/or ongoing email communications. Please keep an eye out for all OB&T emails
 - Though not yet published by the SBA, both the House (May 28th) and Senate (June 3rd) have passed bills that would change key components of the Forgiveness process. Those changes will be addressed later in the presentation.
- We will attempt to make the forgiveness application process as painless as possible so you can focus on running your business

Orange Bank's Paycheck Protection Program (PPP)

- Program to Date: The Bank has funded over 800 loans totaling \$110 million
- Those \$'s have gone to clients who service a broad spectrum of industries in the counties we service
- These clients employ over 11,000 residents of NYS
- Unlike other financial institutions, the Bank not only implemented its own PPP application, approval and funding mechanisms, but we also partnered with 2 other firms to ensure timely delivery of SBA approval and funding decisions

Orange Bank's PPP Results to date

- The \$110 million in PPP lending went to the businesses that serve our communities:

	<u>Borrowers</u>	<u>\$'s Funded</u>
• Orange County	50%	45%
• Westchester County	40%	49%
• Rockland County	10%	6%

- Over 800 OB&T clients and their employees, across all industries, will benefit from participating in this important program

Orange Bank's PPP Results to date (cont.)

- The \$110 million in PPP borrowings were distributed across multiple industries, the primary ones were:

Business Classification

• Professional and Technical	19%
• Construction	13%
• Retail/Wholesale Trade	11%
• Healthcare/Social Services	10%
• Accommodations/Food Services	6%
• Real Estate Rental & Leasing	5%
• Manufacturing	5%
• Administrative/Support	5%
• Finance and Insurance	4%
• Religious Organizations	4%
• Automotive Repair and Maintenance	4%

Orange Bank's PPP Forgiveness Team

- The Bank will have a dedicated team of PPP Forgiveness Specialists who will support each client during this important phase of the PPP process
- Each team member will be assigned a set # of clients to service
- Our team members will be reaching out to you during the month of June to introduce themselves, provide direct contact information and review key dates related specifically to your PPP loan
- These assignments may cut across all types of industries, type of ownership structure, seasonal vs. non-seasonal businesses, size of borrowers staff and/or loan amount OR if needed, by a specific business need
- Orange Bank will build the best structure to support its borrower's needs

Orange Bank's advice to business owners

- Do not panic! Be patient! Work closely with your Business Advisor!
- On the evening of May 15th, the SBA published the latest rules around the PPP Forgiveness process
 - Orange Bank forwarded these instructions to each of our PPP borrowers on the following business day, May 18th
- The rules around the forgiveness process are evolving
 - Numerous Small Business Associations and the AICPA are lobbying for greater clarity, as well as changes to the forgiveness period based on COVID - 19 government restrictions
 - We will keep you informed of any updates

Process to obtain loan forgiveness

- SBA recently released Form 3508 which is titled Paycheck Protection Program Loan Forgiveness Application. This 11 page document contains:
 - Instructions
 - Loan Forgiveness Application
 - Calculation Form
 - Worksheets
 - Certifications
 - Documentation Requirements
- In the coming weeks, OB&T will release a simple online application for forgiveness to assist our borrowers
- Let's review the calculations and documentation requirements

General loan forgiveness calculation

- Loan forgiveness includes expenses incurred during the eight-week “covered period”
- Expenses that are forgivable include payroll costs, rent or lease payments, utility payments, and mortgage interest payments
 - Payroll costs must account for at least 75% of expenses
- Loan forgiveness can be reduced if there is a reduction in the number of full-time equivalent employees or a reduction of more than 25% in wages

What is the “covered period”?

- In general, the covered period is the eight weeks following the first disbursement of loan proceeds. This is the eight weeks in which expenses incurred can be eligible for forgiveness.
- SBA also recognizes an “alternative payroll covered period” for administrative convenience. Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate payroll costs using the eight-week period that begins on the first day of the first pay period following the initial loan disbursement date.

How to calculate payroll costs

- Salary, wages, commissions, or other similar compensation
- Payment of cash tip or equivalent
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment of group healthcare benefits including insurance premiums
- Payment of any retirement benefit
- Payment of state and/or local tax assessed on the compensation of the employee
- **Not included:** Compensation to an individual employee in excess of \$100,000; Federal payroll taxes; Compensation of an employee whose principal place of residence is outside the United States; sick leave or family leave under the Families First Coronavirus Response Act

What about payroll for self-employed individuals?

- SBA recognizes that self-employed individuals (including independent contractors) have a unique way of being paid. Like the calculation of the payroll costs for the initial loan amount, the forgiveness figure is based on the net profit reported in 2019
- Owner Compensation Replacement is calculated as eight weeks' worth of the 2019 net profit (calculated at 8/52 of the net profit)
- The maximum forgiveness amount is \$15,385 per individual

What if I cannot reopen due to government restrictions?

- As recently as June 3rd, the Senate voted to support the House bill to extend the forgiveness period to 24 weeks compared to the current eight-week forgiveness period. The bill now moves to the President for his signature.
- Unfortunately, at this time, there are no published SBA rules in place for an extension of the covered period or exceptions made for businesses that cannot reopen
- We recommend you remain patient and optimistic that changes will be made to the program

Forgiveness reduction due to fewer employees

- Loan forgiveness will be reduced if there is a reduction in the number of full-time equivalent (FTE) employees. The calculation is based on the average weekly FTEs during the covered period compared to the baseline calculation (below):
- The baseline calculation for non-seasonal employers is either:
 - Average weekly FTEs from February 15, 2019 to June 30, 2019
 - Average weekly FTEs from January 1, 2020 to February 29, 2020
- The baseline calculation for seasonal employers is either:
 - One of the periods above for non-seasonal employers
 - Average weekly FTEs for a consecutive twelve-week period between May 1, 2019 and September 15, 2019

Forgiveness reduction due to lower wages

- Loan forgiveness will be reduced if there is a reduction of greater than 25% in wages paid to employees
- The calculation is based on the employee's average annual salary or hourly wage during the covered period
- The baseline calculation is the employee's average annual salary or hourly wage as of February 15, 2020
- If a salary or wage is reduced by more than 25%, the loan forgiveness amount will be reduced

“Safe Harbor” for restoring employment

- The SBA has provided a Safe Harbor for employers who restore FTE employment levels and salary levels by June 30, 2020
- Loan forgiveness will not be reduced if the number of FTE employees are restored by June 30, 2020 to the same level as February 15, 2020
- Loan forgiveness will not be reduced if the salaries and wages reduced by more than 25% are restored by June 30, 2020 to the same level as February 15, 2020.

What if my loan is not completely forgiven?

- The \$ amount remaining after the completion of the loan forgiveness process will remain as a loan that must be repaid
 - The interest rate is 1%
- The loan includes six months of no payments followed by eighteen months of principal and interest payments
- Your first payment will begin on the first of the month following the six month no payment period

How to maximize your loan forgiveness amount

- Orange Bank is your lender - we cannot be your business advisor
 - We are here to assist with the rules and processing of your forgiveness application, but we can't provide business advice
- We recommend you speak with your accountant, tax and/or business advisor, or seek assistance from a Small Business Development Center
- Continue to keep adequate records of all forgivable expenses so you are prepared for the forgiveness application

PPP Program latest information as of June 3rd

- On June 3rd, the US Senate passed a bill, already approved by the House, that address the following:
 - Extending the “covered period” from the current 8 weeks to 24 weeks
 - Reduce the percentage of PPP funds that must be minimally spent on Payroll costs from 75% to 60%
 - Extend the term of the loan (any unforgiven PPP borrowings) from 2 years to 5 years
 - Extending the Safe Harbor period for re-hiring employees to December 31, 2020
- The bill now moves to the President for his signature, where it is expected to be signed into law

Questions

THANK YOU!

- Please visit orangebanktrust.com/pppforgiveness which has resources to assist in understanding the SBA regulations and the loan forgiveness application.
- [Forgiveness Instructions PDF](#)
- Recording will be emailed to all participants after the webinar
- Still have questions? Please email - caresact@orangebanktrust.com

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