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How Your Business Can Access Financial Assistance Due to COVID-19 Pandemic

April 7, 2020

[ALTA.ORG/CORONAVIRUS](https://alta.org/coronavirus)

Today's Rundown

1. Aid for Small Businesses

- Paycheck Protection Program
- SBA EIDL
- Sick Leave Tax Credits

2. Aid for Larger Businesses

- Payroll Tax Deferral Options
- Exchange Stabilization Fund



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REFRESHER



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Federal Response (so far)

- **Phase 1:** \$8.3 billion in funds for health care and medicine/vaccine development
- **Phase 2:** Families First Coronavirus Response Act
 - Expanded FMLA
 - Paid Sick Leave
- **Phase 3:** \$2 trillion stimulus (CARES Act)
 - Direct cash payments
 - Small business loans
 - Increase unemployment insurance payments
 - Support for distressed sectors of economy

Federal Action (expected)

- **Phase 4:** Aid to state and local governments
- **Phase 5:** Aid for industry

PAYCHECK PROTECTION PROGRAM



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The Basics

- **What:** \$349 billion in loan guarantees to small businesses to sustain operations and keep workers employed
- **Who:** Business with 500 employees or less **OR** less than \$12M in revenue
- **When:** Applications started April 3. End June 30.
- **How Much:** 250% of average monthly payroll cost
- **Cost:** Extensive loan forgiveness if you don't lay off workers
- **What can it be spent on:** payroll costs such as salary, health insurance, sick leave, and 401k and rent, utilities and mortgage

STEP 1: DETERMINE YOUR ELIGIBILITY & HOW MUCH YOU CAN BORROW



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Do I Qualify?

- 1. Are you a for-profit entity or 501(c)(3) or 501(c)(19)?**
 - Includes: sole proprietorship or eligible self-employed individual
- 2. Physically located in the U.S. or territories**
- 3. In business before February 15, 2020?**
 - Did you have employees and payroll taxes or pay contractors using a 1099-MISC?
- 4. Have 500 or fewer employees**
 - If no: Is your gross revenue \$12m or less?

Ineligible Small Business (13 CFR 120.110)

- Operating in a field that is illegal under federal or state law
- Household workers (nannies, etc.)
- If the owner of 20% or more of the business is
 - incarcerated, on probation, on parole
 - presently subject to an indictment, or formal criminal charges
 - has been convicted of a felony within the last five years
- You, or any business owned or controlled by you
 - Is currently delinquent or has defaulted on an SBA or federal loan within the last seven years and caused a loss to the government

Other Eligibility Requirements

- Current economic uncertainty makes the loan necessary to support the ongoing operations of the business
- Proceeds will be used to support payroll, rent, utilities, mortgage interest costs only

How Much Can I Borrow?

- **Up to 250% the borrower's average monthly payroll costs for the 1-year period before the loan originates**
 - not to exceed \$10 million
 - capped at \$100,000 per employee (aka \$8,333.33 per month)
 - Can include your salary as an owner in the calculation
- **Example**
 - Annual payroll: \$1,200,000
 - Average monthly payroll: \$100,000
 - Multiply by 2.5: \$250,000

What Qualifies as Payroll Costs?

- **Compensation to employees (whose principal place of residence is the United States) in the form of:**
 - salary, wages, commissions, cash tips
 - payment for vacation, parental, family, medical, or sick leave;
 - Payment for group health insurance coverage
 - Payments for retirement benefits (401k match, pensions)
 - payment of state and local taxes assessed on compensation
- **For owners:** self-employment or similar compensation

What Can't You Include in Payroll Costs?

- Any compensation for non-US based employees
- The compensation of an individual employee in excess of an annual salary of \$100,000
- Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127)
- Payments to independent contractors

STEP 2: FIND A LENDER



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How Do I Apply

- Federally insured banks, credit unions, farm credit institution in the SBA 7(a) program
 - Non SBA banks will be automatically approved once they complete SBA Form 3506
- Check with your current banking relationships?
 - Including if you have a business credit card
- SBA lender match
 - <https://www.sba.gov/paycheckprotection/find>

Start With Your Bank

- They know your business
- They have already conducted customer due diligence on you and your business
 - PPP loans for existing customers will not require reverification under applicable BSA requirements, unless otherwise indicated by the institution

If You Must go to a Different Bank

- You will need to go through the banks Customer Identification Program
- To expediate be prepared to provide:
 - Verifying you and your business partners identities (including e.g., date of birth, address, and taxpayer identification number),
 - Basic corporate/LLC documents and applicable beneficial ownership information.
- Some banks may accept a CIP from your existing bank

STEP 3: APPLY



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PPP Application

- SBA Form 2483 (Paycheck Protection Program Application Form)
 - <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>

Documentation You Will Need to Provide

- payroll processor records
 - payroll tax filings
 - any Form 1099-MISC supporting contractor pay
 - income and expenses from a sole proprietorship
-
- **What if you don't have documentation?**
 - provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount

Info About Your Business



Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Check One: <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		DBA or Tradename if Applicable	
Business Legal Name			
Business Address		Business TIN (EIN, SSN)	Business Phone
			() -
		Primary Contact	Email Address

Average Monthly Payroll:	\$	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$	Number of Employees:	
Purpose of the loan (select more than one):					
<input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain):					

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

Eligibility Questions

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

If questions (5) or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole? Initial here to confirm your response to question 5 → _____	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 → _____	<input type="checkbox"/>	<input type="checkbox"/>



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By Signing Below, You Make the Following Representations, Authorizations, and Certifications

CERTIFICATIONS AND AUTHORIZATIONS

I certify that:

- I have read the statements included in this form, including the Statements Required by Law and Executive Orders, and I understand them.
- The Applicant is eligible to receive a loan under the rules in effect at the time this application is submitted that have been issued by the Small Business Administration (SBA) implementing the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (the Paycheck Protection Program Rule).
- The Applicant (1) is an independent contractor, eligible self-employed individual, or sole proprietor or (2) employs no more than the greater of 500 or employees or, if applicable, the size standard in number of employees established by the SBA in 13 C.F.R. 121.201 for the Applicant's industry.
- I will comply, whenever applicable, with the civil rights and other limitations in this form.
- All SBA loan proceeds will be used only for business-related purposes as specified in the loan application and consistent with the Paycheck Protection Program Rule.
- To the extent feasible, I will purchase only American-made equipment and products.
- The Applicant is not engaged in any activity that is illegal under federal, state or local law.
- Any loan received by the Applicant under Section 7(b)(2) of the Small Business Act between January 31, 2020 and April 3, 2020 was for a purpose other than paying payroll costs and other allowable uses loans under the Paycheck Protection Program Rule.

For Applicants who are individuals: I authorize the SBA to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

CERTIFICATIONS

The authorized representative of the Applicant must certify in good faith to all of the below by **initialing** next to each one:

_____ The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.

_____ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.

_____ The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.

_____ The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.

_____ I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.

_____ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program.

_____ I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

_____ I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge and agree that the Lender can share any tax information that I have provided with 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.

How Must Lenders Underwrite?

- Confirm receipt of borrower certifications
- Confirm receipt of information demonstrating that a borrower had employees for whom the borrower paid salaries and payroll taxes on or around February 15, 2020;
- Confirm the dollar amount of average monthly payroll costs for the preceding calendar year by reviewing the payroll documentation submitted with the borrower's application.

Must Lender Verify Borrower Submissions?

- No. The lender does not need to conduct any verification if the borrower submits documentation supporting its request for loan forgiveness and attests that it has accurately verified the payments for eligible costs.

STEP 4: DOCUMENT YOUR ELIGIBILITY FOR LOAN FORGIVENESS



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How Can You Spend the Proceeds

1. payroll costs;
2. costs related to the continuation of group health care benefits;
3. mortgage interest payments (but not mortgage prepayments or principal payments);
4. rent payments;
5. utility payments;
6. interest payments on any other debt obligations that were incurred before February 15, 2020; and/or
7. refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020.

However...

- At least 75 percent of the PPP loan proceeds shall be used for payroll costs
 - Includes health care, retirement, etc.

What If I Misspend the Proceeds?

- If you use PPP funds for unauthorized purposes, SBA will direct you to repay those amounts

Loan Terms

- The guarantee percentage is 100 percent if spent on eligible costs over the 8 weeks post loan origination.
- No collateral will be required.
- No personal guarantees will be required.
- For unforgiven amounts:
 - The interest rate will be 100 basis points or one percent.
 - 2 year loan maturity
 - Repayment deferred for six months
- No upfront loan fees for borrower

Can PPP Loan be Forgiven in Whole or in Part?

- **Yes.** The amount of loan forgiveness can be up to the full principal amount of the loan and any accrued interest.
- However, borrower must use all of the loan proceeds for forgivable purposes and employee and compensation levels are maintained.
- Borrower must document the proceeds used for payroll costs in order to determine the amount of forgiveness.
- **How can I request loan forgiveness?** Submit a request to the lender that is servicing the loan and certify accuracy of documents. *Lender has 60 days to respond.*

What is Forgiven?

- **Amounts spent during the 8-week period after disbursement on:**
 - Payroll costs
 - Rent on leases incurred before Feb 15
 - Mortgage interest or other debt interest on loans before Feb 15
 - Utility expenses
- **Reminder:** not more than 25 percent of the loan forgiveness amount may be attributable to nonpayroll costs
- The canceled loan amount will not count towards gross income for tax purposes

What If I Layoff Staff?

- **Your loan forgiveness will be proportionally reduced if you:**
 - Decrease your full-time employee headcount from your headcount on Feb 15.
 - 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.

ECONOMIC INJURY DISASTER LOAN PROGRAM



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Economic Injury Disaster Loan Program (EIDL)

- Existing SBA program
- Assist businesses, renters, and homeowners located in regions affected by declared disaster
- Apply at **SBA.gov/disaster**

Who is Eligible?

- Entities that have suffered substantial economic injury due to COVID-19
- In existence on January 31, 2020
- Fewer than 500 employees

Loan Parameters

- \$2 million maximum
- Interest rate of 3.75% for businesses and 2.75% for nonprofits
- Up to 30-year term
- Payments on Coronavirus EIDL loans are deferred for one year
- Up to \$200,000 can be approved without a personal guarantee
- Security interest in general business assets for loans over \$25k
- Approval can be based on a credit score and no first-year tax returns are required
 - Borrowers do not have to prove they could not get credit elsewhere

Emergency \$10,000 Grant

- Applicants for an EIDL can receive a \$10,000 emergency grant within three days of application
- No obligation to repay the grant or have an approved EIDL loan.
- If you get a PPP loan, the \$10,000 grant will be subtracted from the forgiveness amount

SICK/FMLA LEAVE TAX CREDITS



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Family and Medical Leave Act (FMLA) Expansion

- Up to 10 weeks of paid FMLA
 - First two weeks of leave can be unpaid
 - Employee can use sick leave for 10 days
- Any employee who has been employed for at least 30 days
 - Must care for children whose schools have closed due to the coronavirus health emergency.
 - Employee not be able work (or work remotely) while caring for children.
- How much: two-thirds of employee's regular rate. Paid leave cannot exceed \$200 per day and \$10,000 total for the full 10 weeks

Emergency Paid Sick Leave Act

- **What:** Offer paid sick leave to those who meet criteria associated with the public health emergency.
- **Who:** Businesses with 500 or less employees
- **How much:**
 - Full time: up to 80 hours of paid sick leave
 - part-time pay based on the number of hours they would work during an average two-week period
- **Pay amount:** regular rate with pay capped at \$511 per day and \$5,110 total (\$2,000 total for part-time)

Which Employees are Eligible?

- **Any employee if they are unable to work (in-house or remotely) because they are:**
 - Subject to federal, state, or local quarantine or isolation related to COVID-19
 - Have been advised by their doctor to self-quarantine due to COVID-19
 - Experiencing symptoms of COVID-19 and seeking a medical diagnosis
 - Caring for a family member subject to a quarantine order or self-quarantine
 - Caring for children if schools are closed or their caregiver is unavailable because of the COVID-19 health emergency
 - Experiencing substantially similar conditions as specified by the Secretary of Health and Human Services

Are There Exemptions?

- Businesses with fewer than 50 employees may be exempt from all these provisions if providing the leave could “jeopardize the viability” of your business.
- Healthcare and emergency response organizations may exclude employees from paid FMLA expansion due to the coronavirus crisis.

How do I Pay for This Benefit?

- **Reimbursement through tax credits**

- Fully refundable tax credits for both paid sick leave and paid FMLA
- The tax credits are applied against an employer's already-owed Social Security taxes
- If that offset is not enough, the Treasury Department provides cash payouts
- Additionally, an employer's tax credit is increased by the amount the employer pays to maintain health care related to new sick leave and FMLA benefits

PAYROLL TAX DEFERRAL



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Payroll Tax Deferral

- Employers can defer paying their portion of the Social Security payroll tax (6.2 percent) otherwise due with respect to wages accrued between March 27, 2020 and December 31, 2020.
- The above delay provisions apply to all employers regardless of size.
 - However, if you get a PPP then you are NOT eligible

Repayment

- **Deferred Amounts Will Ultimately be Repaid in Two Installments**
 - Half must be repaid by December 31, 2021
 - Any remainder due December 31, 2022.

EMPLOYEE RETENTION TAX CREDIT



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Employee Retention Credit

- **Refundable tax credit**

- 50% of up to \$10,000 in wages paid by an eligible employer whose business has been financially impacted by COVID-19

- **Qualifications**

- The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter
 - The employer's gross receipts are below 50% of the comparable quarter in 2019
 - Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter

- **Form 7200**

How is the Credit Calculated?

- The amount of the credit is 50% of **qualifying wages** paid up to \$10,000 in total
- Wages paid after March 12, 2020, and before Jan. 1, 2021 are eligible for the credit
- Wages include cash payments, and a portion of the cost of employer provided health care
- **Employers with less than 100 employees in 2019:** credit is based on wages paid to all employees, regardless if they worked or not
- **Employers with more than 100 employees in 2019:** credit is allowed only for wages paid to employees who did not work during the calendar quarter

EXCHANGE STABILIZATION FUND



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Basics

- \$454 billion for loans, loan guarantees and investments in support of facilities established by the Federal Reserve to support lending to eligible businesses, states, or municipalities
- Via the Federal Reserve, the \$454 billion could be leveraged significantly, potentially providing up to \$4 trillion in financial support

Resources



ALTA Website

- [ALTA.ORG/CORONAVIRUS](https://alta.org/coronavirus)



Daily Email With Updates

- Create an account at alta.org/portaltools/newuser/index.cfm



Share Your Story

- communications@alta.org
- [#gooddeeds](https://twitter.com/gooddeeds)

QUESTIONS?



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