

Paycheck Protection Program Frequently Asked Questions June 24, 2020



Is Frontier Farm Credit still accepting PPP applications?

Yes, through June 26. SBA will stop accepting new applications on June 30.

When will you start accepting applications for loan forgiveness?

We are targeting August 1 and will email customers once we know an exact date.

What will I need to do to apply for forgiveness?

- Logon to our portal and complete an online application.
- Upload supporting documentation that shows you paid eligible expenses that were incurred during the 24 weeks immediately following the date we disbursed your loan proceeds. SBA refers to this as your “covered period.”
 - If your loan was approved prior to June 5 (under earlier rules), you may elect to use an 8-week covered period or use 24 weeks.

When should I apply for forgiveness?

Don't feel rushed. There's no competition with other applicants like there was for initial loan approval, and there's no urgent deadline.

The SBA has confirmed that you are allowed to apply for forgiveness prior to the end of your covered period if you have used all the loan proceeds for which you are requesting forgiveness.

What is forgivable and what is not?

Payroll and Nonpayroll

Subject to several important limitations, forgivable expenses include:

- Payroll costs
 - Salary, wages, commissions, or similar compensation
 - Cash tips or the equivalent
 - Payment for leave (vacation, parental, family, medical, sick)
 - Allowance for employee separation or dismissal
 - Payment for employees' group health insurance premiums and retirement plans

- Payment of state and local taxes assessed on employee compensation
- For sole proprietors – wages, commissions, income or net earnings from self-employment or similar compensation
- *At least 60% of loan proceeds must be used for payroll costs in order to qualify for forgiveness*
- Nonpayroll costs
 - Interest payments on business mortgage obligations for real or personal property that were originated prior to February 15, 2020
 - *But not any prepayment of interest or payment of principal*
 - Payments on business rent obligations under a lease agreement in force before February 15, 2020
 - Business utility payments for electricity, gas, water, transportation, telephone or Internet access for services that began before February 15, 2020

To be forgiven, expenses must be **incurred and paid** during the covered period. Borrowers have until December 31, 2020, to pay eligible expenses and have them considered for forgiveness.

For Schedule F Filers with No Employees

To prevent windfalls that Congress did not intend, SBA rules indicate forgiveness for self-employed borrowers with no employees will be limited to the following:

- When you applied for a PPP loan, the maximum amount available was equal to your annual income (capped at \$100,000) divided by 12 and multiplied by 2.5 months to result in an SBA approved loan of up to \$20,833.
- *SBA has indicated the full amount of \$20,833 is forgivable if you use a 24-week covered period in your application.*
 - *You will need to provide documentation showing this amount was paid to you (as owner compensation replacement) during the covered period.*
 - *We will ask that you write yourself a check within the window of your chosen covered period to satisfy this requirement as a simple step to avoid any technical challenges. You will not need to document any additional rent, utility or interest expense in order to recoup your full loan amount.*
- *If your loan was approved prior to June 5, you have the option of using a shorter 8-week covered period instead of 24 weeks. In that case, SBA will cap your forgiveness at \$15,383. You also will be required to provide documentation that you paid yourself that amount during the 8-week period.*

We strongly encourage Schedule F filers who have no employees to use a 24-week covered period when applying for forgiveness. This simplifies the process for you and maximizes the amount of forgiveness you can request. When SBA forgives a loan, they forgive the principal as well as the accrued interest.

For PPP Borrowers with Employees

Payroll costs are generally incurred on the day an employee's pay is earned (i.e., the day they worked).

If you pay furloughed employees their salary, wages or commissions during the covered period, those payments are eligible for forgiveness as long as they don't exceed an annual salary of \$100,000 as prorated for the covered period.

Alternative Covered Period

SBA recognizes the covered period may not align with a borrower's payroll cycle.

- In those cases, a borrower with a biweekly (or more frequent) cycle may use an "alternative covered period" that begins on the first day of the first payroll cycle in the covered period.
- If payroll costs are incurred during this alternative period but paid after the end of the period, they will be eligible for forgiveness if they're paid no later than the next regular payroll date.

Nonpayroll costs must be incurred and paid during the covered period or on the next regular billing cycle if that cycle falls outside the end of the covered period.

Reductions in Forgiveness

Forgiveness amounts will be reduced by the amount of any advance made on an EIDL (Emergency Injury Disaster Loan).

Reductions in employer headcount also result in a reduction of loan forgiveness. That said:

- If a borrower attempts but is unable to rehire people who were employees as of February 15, and is unable to hire similarly qualified people for the unfilled positions on or before December 31, those employee reductions won't impact their forgiveness amount provided they maintain documentation of their attempts.
- Further, their forgiveness calculation won't be reduced if they're able to document an inability to return to the same level of business activity they were operating at before February 15 due to compliance with mandatory federal, state and/or local guidelines.

Required Documentation

For nonpayroll amounts, borrowers will need to provide a mix of invoices, amortization schedules, lease agreements, receipts, cancelled checks and/or account statements verifying costs incurred and paid.

To support the payroll portion of the request, sole proprietors without employees will need to provide a copy of their 2019 Schedule F if not already submitted with their original loan application. They will also need to provide documentation that they paid themselves the requested amount of owner compensation replacement allowed by SBA under the 24-week or 8-week covered period.

Customers with employees will need to provide more detailed documentation, e.g.:

- Bank account statements or third-party payroll service provider reports
- Receipts, cancelled checks or account statements showing amounts paid to health insurance and retirement plans
- Documentation showing the average number of full-time equivalent employees on payroll per month:
 - Between February 15 and June 30 of 2019 or
 - Between January 1 and February 29 of 2020
 - For seasonal employers, the average FTEs on payroll per month between:
 - Either of the two periods above or
 - Any consecutive 12-week period between May 1 and September 15 of 2019

Unforgiven Amounts

If your loan amount exceeds the amount that is eventually approved for forgiveness, you will have a remaining balance repayable in accordance with your original loan terms at 1% interest.

How long will forgiveness take?

Once you complete your application, Frontier Farm Credit will have 60 days to perform a good-faith review of your calculations and supporting documents and render our preliminary decision to SBA to forgive or deny your request in whole or in part. If we recommend denial, we will notify you right away.

SBA will then have 90 days to accept our decision and remit funds to us.

SBA retains the right to review any loan of any size for up to 6 years to verify a borrower's eligibility and forgivable loan amounts.

What is Frontier Farm Credit doing to provide a good customer experience during the forgiveness phase?

We are working now with our technology partner to build out our online portal. We have more time now than we had to build the original loan application, so we can invest in embedding more online help and incorporating customer feedback.

We also have more time to provide you with how-to guidance like these FAQs.

- We will post additional content on our websites as it becomes available and will email you with links to that content.
- We will provide the same material to our retail teams so they can print and share it with customers who prefer a paper versus online format.
- We'll engage an accountant to help us with additional webinars, most likely tailoring those for subsets of customers, e.g., one for self-employed producers with no employees, and another for operations with employees. We will email invitations as events are confirmed.

Where can I go with questions today?

Please direct your questions to your local Frontier Farm Credit team. They are equipped to answer the most frequently asked questions and will forward additional questions as needed to our internal teams for answers.