

THE SBA PAYCHECK PROTECTION PROGRAM AND YOUR CLIENTS

Presented by Level One Bank

Presenters: Amy Converse and Kevin Friedrich





MISSION AND CORE VALUES

Level One Bank's Mission:

Champion the Entrepreneurial Spirit

Core Values:

- *Passionate*
- *Hardest Job You'll Ever Love*
- *Humble Yet Confident*
- *Do What's Best*
- *Relationship Focused*
- *Results Matter*



Level One Bank's Executive Team: From left to right: Lani Barrett, EVP, Chief Human Resources Officer; Gregory A. Wernette, EVP, Chief Lending Officer; David C. Walker, EVP, Chief Financial Officer; Patrick J. Fehring, President and Chief Executive Officer; Eva Scurlock, EVP, Risk Management Officer; Timothy R. Mackay, EVP, Consumer Banking Officer

HISTORY



Founded in October 2007, Level One Bank was created by a team of local business leaders and passionate bankers who believed in a better way to bank. Committed to the vision, many left their positions at larger financial institutions to build something new, something better. These entrepreneurs recognized the need for a bank that could provide the sophisticated products of a big bank with the local decision making and personal service of a community bank.

Today, we are a full-service commercial and consumer bank. As we continue to grow, we remain committed to community banking and fulfilling our vision of providing a better way to bank for our clients and communities. Our bankers are experienced, enthusiastic, and entrepreneurial. We are confident in our ability to provide a better way to bank for our clients. We welcome you to visit with us and enjoy the experience of banking with Level One!

LEVEL ONE BANK, A COMMUNITY BANK

➤ What is a community bank?

Community banks are locally owned and operated financial institutions that are built on the time-tested foundation of relationships and trust with their customers. Community banks put local deposits to work in the communities they serve, establishing a healthy cycle of reinvestment and leading to prosperous, vibrant communities—one loan, one deposit, at a time.

➤ What is the difference between a community bank and a large, national bank?

Community banks specialize in “relationship banking” as opposed to “transactional banking” which large banks master through economies of scale. Relationship banking drives profit through long-term, multiple account relationships and customized service for core customers.

➤ How do community banks make their money?

Community banks are far more likely to rely on traditional sources (e.g., interest from loans) as their main source of income. Community banks are able to profit from this simple model because of the core deposits they receive from loyal customers who are essential to a community bank’s success.





WHAT IS THE SBA PAYCHECK PROTECTION PROGRAM (PPP)?

- ▶ On 3/27/2020 President Trump signs the Coronavirus Aid, Relief, and Economic Security (CARES) Act. A comprehensive piece of legislation designed to provide assistance to Americans impacted by the COVID-19 Virus.
 - ▶ Section 1102 of the CARES Act temporarily permits the Small Business Administration (SBA) to guarantee 100% of 7(a) loans under a new program, the “Paycheck Protection Program,” with support from the Department of Treasury.
 - ▶ Section 1106 of the Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the Paycheck Protection Program.
- ▶ The PPP was created to provide immediate assistance to small businesses affected by the COVID-19 emergency.





WHAT IS THE SBA PAYCHECK PROTECTION PROGRAM (PPP)?

- ▶ Funds provided in the form of a loan.
- ▶ No collateral or personal guarantees required.
- ▶ Loan payments deferred for 6 months – now 10 months after the covered period.
- ▶ Loan will be fully forgiven when used for payroll, mortgage, rent and utilities. (At least 60% to be used for payroll).





TIMELINE OF THE PPP PROGRAM

- ▶ March 27, 2020: CARES ACT signed by President establishing \$349 billion in funding for PPP to be administered by the SBA
- ▶ March 31, 2020: PPP general guidance released by the SBA
- ▶ April 2, 2020: SBA releases PPP loan application
- ▶ April 27, 2020: Second round of PPP funding released (additional \$310 billion)
- ▶ June 30, 2020: Original deadline for PPP Loan application submission
- ▶ August 8, 2020: Extended deadline for PPP Loan application submission



WHO IS ELIGIBLE TO APPLY FOR THE PPP?

- ▶ Business types eligible for a PPP loan:
 - ▶ A small business with 500 or fewer employees whose principal place of residence is in the United States.
 - ▶ A sole proprietorship
 - ▶ An independent contractor or eligible self-employed individual
- ▶ All applicants must have been in operation on 2/15/2020.
- ▶ All applicants are only eligible for one PPP Loan.



WHAT CAN I USE PPP LOAN FUNDS FOR?

You should use the proceeds from these loans on your:

- ▶ Payroll costs, including benefits;
- ▶ Interest on mortgage obligations, incurred before February 15, 2020;
- ▶ Rent, under lease agreements in force before February 15, 2020;
and
- ▶ Utilities, for which service began before February 15, 2020.



WHAT ARE THE PPP LOAN TERMS?

- ▶ Funds are provided to small businesses to pay up to 8 – 24 weeks of payroll costs (including benefits).
- ▶ The 60/40 Rule
 - ▶ **60% or more** of the loan must be used for payroll costs
 - ▶ Flexibility Act updated amount – was previously 75%
 - ▶ Payments to independent contractors cannot be included in the payroll costs (unless added to the payroll as an employee)
 - ▶ The forgivable amount scales in proportion to the amount spent on payroll, up to the total loan amount
 - ▶ **40% of the loan** can be used for mortgage interest, rent & utilities (utilities includes electricity, gas, water, telephone, transportation, or internet access)



WHAT COUNTS AS PAYROLL COSTS?

Payroll costs include:

- ▶ Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each full time employee);
- ▶ Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- ▶ State and local taxes assessed on compensation; and
- ▶ For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.



ARE THERE ANY INELIGIBLE PAYROLL COSTS?

Yes, payroll costs that are ineligible for the PPP include:

- ▶ Compensation of an individual employee in excess of an annual salary of \$100,000;
 - ▶ Note: employers contributions to healthcare and retirement benefits are not part of amount deemed in excess of \$100,000 annual salary)
- ▶ Employer portion of payroll taxes (FICA Taxes); and
- ▶ Any compensation of an employee whose principal place of residence is outside of the United States;



WHAT CONSTITUTES A FULL TIME EMPLOYEE (FTE)?

- ▶ Full Time Equivalent (FTE) employee has not been defined within the act.
- ▶ The *IRS* defines an FTE as
 - ▶ Employees that work over 30 hours a week (130 hours per month)
 - ▶ Employees working under 30 hours a week have their hours pooled & then divided by 30 hours (IE –2 Employees work 15 hrs = 1 FTE)
- ▶ Full Time Equivalent Measurement Periods:
 - ▶ February 15, 2019 to June 30, 2019; OR
 - ▶ January 1, 2020 to February 29, 2020; OR
 - ▶ Any consecutive 12-week period between 5/1/19 and 9/15/19



REQUIRED PAYROLL DOCUMENTATION

▶ *Documentation Showing (at the election of the borrower):*

- ▶ Average number of FTE employees on the payroll per month employed by the borrower between 02/15/2019 and 06/30/2019; **OR**
- ▶ Average number of FTE employees on the payroll per month employed by the borrower between 01/01/2020 and 02/29/2020; **OR**
- ▶ For a **seasonal employer**:
 - ▶ Average number of FTE employees on payroll per month employed by the borrower between 02/15/2019 and 06/30/2019, between 01/01/2020 and 02/29/2020, OR any consecutive 12-week period between 05/01/2019 and 09/15/2019
- ▶ Selected periods must be the same selected for purposes of completing the PPP Schedule A, line 11
Documents May Include:
 - ▶ Payroll tax filings reported, or that will be reported, to the IRS (generally Form 941); **AND**
 - ▶ State quarterly business & individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state
 - ▶ Documents submitted may cover periods longer than the specified time period



REQUIRED PAYROLL DOCUMENTATION

- ▶ Required documentation verifying eligible cash compensation & non-cash benefit payments for the covered period or alternative covered period, including:
 - ▶ Bank statements or 3rd party payroll service provider reports documenting amount of cash compensation paid to employees
 - ▶ Tax forms (or equivalent 3rd party payroll service provider reports) for the period that overlap with the Covered Period or the Alternative Covered Period including:
 - ▶ Payroll tax filings reported, or that will be reported, to the IRS (generally Form 941)
 - ▶ State quarterly business & individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state
 - ▶ Payment receipts, canceled checks, or account statements documenting amount of employer contributions to employee health insurance & retirement plans that the borrower included in the forgiveness amount (PPP Schedule A, lines 6 & 7)



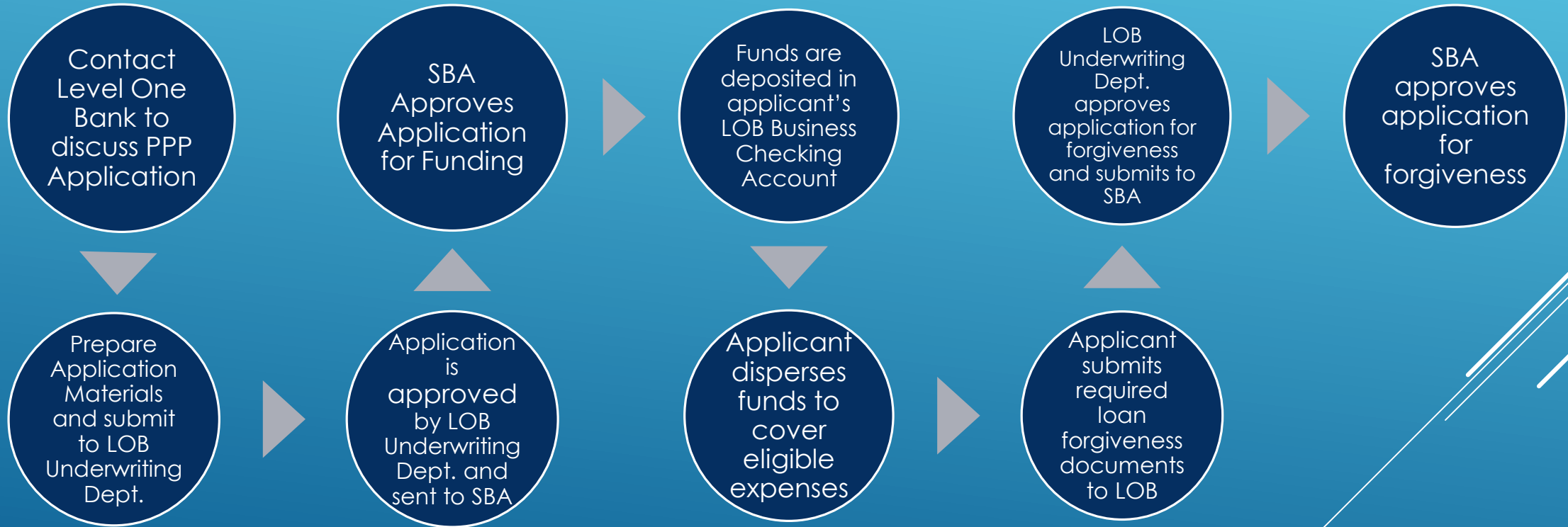
CALCULATING YOUR PPP LOAN AMOUNT

- ▶ The maximum size of a PPP loan is 250% of your average monthly payroll costs over the last 12 months, or \$10 million (whichever amount is less). For most contractors, that means you should add up your average monthly payroll costs, including rent and utilities, and multiply that amount by 2.5 to get your max eligible loan amount.

AVERAGE MONTHLY PAYROLL COSTS X 2.5 = PPP LOAN AMOUNT



LEVEL ONE PPP LOAN APPLICATION PROCESS





LEVEL ONE PPP LOAN APPLICATION PROCESS

Contact
Level One
Bank to
discuss PPP
Application

- If a business has been forced to close and/or reduce employee levels and the business' leadership has determined to apply for PPP Loan funding, they should reach out to the local Level One Bank branch and speak with either a Relationship Banker and/or the Market Development Manager.
- The Level One banker will:
 - Answer all of the applicant's questions and explain the application process.
 - Email the applicant the PPP Loan Application along with a list of required supporting documents that need to be submitted to the LOB Underwriting Team.



LEVEL ONE PPP LOAN APPLICATION PROCESS

Prepare
Application
Materials
and submit
to LOB
Underwriting
Dept.

- The applicant will work with their accountant to:
 - Determine average monthly payroll costs
 - Calculate the applicant's loan application amount
 - Prepare application
 - Complete application supporting forms
 - Compile required tax documents
 - Submit all materials to their Level One Banker
- Once received, the Level One Banker will:
 - Review all application materials for accuracy and completeness
 - Prepare business PPP Intake Form
 - Upload application materials to LOB Underwriting Dept. Loan Portal
 - Work with underwriter throughout application review process to ensure a timely underwriting decision is reached.



LEVEL ONE PPP LOAN APPLICATION PROCESS

Application is approved by LOB Underwriting Dept. and sent to SBA

- Once the PPP Application is approved by the Level One Underwriting Team, it is uploaded to the Small Business Administration PPP Loan Portal.
- LOB underwriters will work with SBA underwriters to review loan documentation to ensure approval.
- LOB underwriters will reach out to applicant's LOB Relationship Banker if any additional information is required by the SBA.
- LOB Relationship Banker will work with applicant to compile requested information.



LEVEL ONE PPP LOAN APPLICATION PROCESS

SBA
Approves
Application
for Funding

- Final loan documentation is emailed to applicant to sign electronically.
- Applicant must open a LOB Small Business Checking Account within five days of approval for PPP funds to be deposited into.



LEVEL ONE PPP LOAN APPLICATION PROCESS

PPP
Funds are
deposited in
applicant's
LOB Business
Checking
Account

- Within 10 days of approval, PPP funds will be deposited in applicant's account.
- Applicant's LOB Relationship Banker will:
 - Provide applicant with an Account Opening Packet including checks and debit card if requested
 - Assist applicant with LOB Online Banking setup



LEVEL ONE PPP LOAN APPLICATION PROCESS

Applicant
dispenses
funds to
cover
eligible
expenses

- Once PPP funds are deposited into applicant's LOB account, applicant will disperse funds to cover eligible costs including:
 - Payroll
 - Rent/Lease/Mortgage Interest
 - Utilities
 - Healthcare Expenses
 - Retirement Account Distributions
- Applicant **MUST** track all expenditures and keep documentation of each. This documentation will be required at loan forgiveness.



LEVEL ONE PPP LOAN APPLICATION PROCESS

Applicant
submits
required
loan
forgiveness
documents
to LOB

- Applicant works with their accountant to compile required loan forgiveness documents.
- Loan forgiveness application and supporting documentation are submitted to applicant's LOB banker for review.
- Loan forgiveness documents are uploaded to LOB PPP Loan Forgiveness Portal.



LEVEL ONE PPP LOAN APPLICATION PROCESS

LOB
Underwriting
Dept.
approves
application
for
forgiveness
and submits
to SBA

- Application for forgiveness along with all required supporting documentation is reviewed by LOB underwriters who determine if additional documentation is needed and/or approve loan forgiveness application.
- Approved loan forgiveness application and supporting documentation is sent to SBA underwriters.



LEVEL ONE PPP LOAN APPLICATION PROCESS

SBA
approves
application
for
forgiveness

Loan Forgiveness means borrowers will not have to repay the loan as long as specific criteria were met.

- Must have used the loan proceeds for authorized/designated expenses
- Participants are eligible for loan forgiveness for the *amounts spent* on authorized expenses 8 - 24 weeks after loan disbursement



WHAT IF ALL/SOME OF MY PPP LOAN ISN'T FORGIVEN

- Loan Terms: 2 years repayment period prior to June 10
5 years repayment period currently
- Rate: 1%
- Payments: Interest only with full balance due at end of term
No Pre-Payment Penalty
- Grace Period: 10 Months after funding date



LEVEL ONE BANK SUCCESS WITH THE PPP LOAN

- ▶ Ranked # 1 out of 139 community banks in the country by Raymond James
- ▶ \$410 Million approved to over 2000 Michigan based companies
- ▶ \$10.6 Million in Rochester to 45 business owners

QUESTIONS





PRESENTERS' CONTACT INFORMATION

- ▶ Amy Converse, Relationship Banker
 - ▶ Email: aconverse@levelonebank.com
 - ▶ Phone: 248-710-3700

- ▶ Kevin Friedrich, Relationship Banker
 - ▶ Email: kfriedrich@levelonebank.com
 - ▶ Phone: 248-710-3700