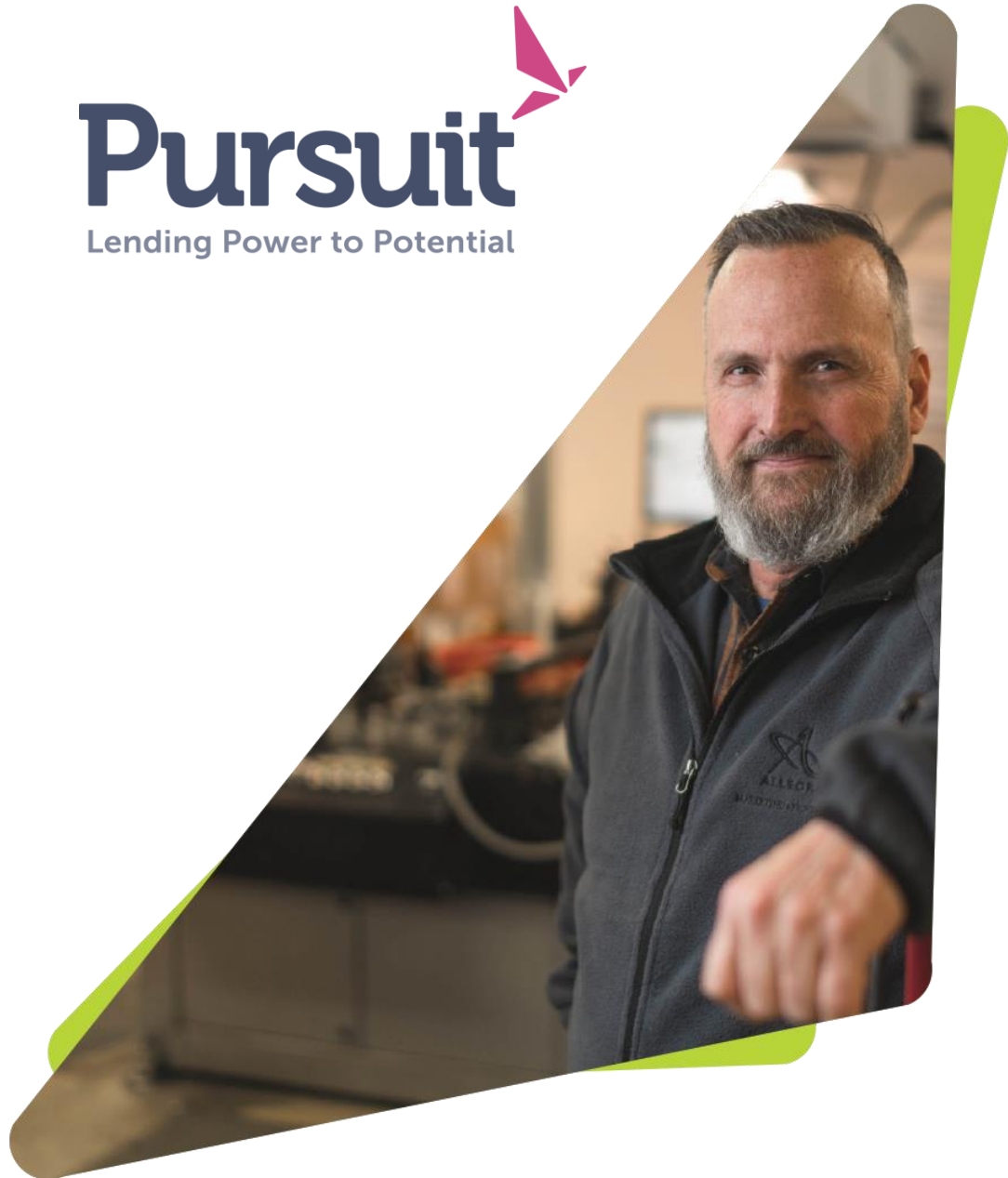




Paycheck Protection Program: How the New Forgiveness Rules Impact Your Loan

What we'll cover

- Who is Pursuit and what is our relationship with SBA?
- What is the process for applying for loan forgiveness?
- How do the recent changes impact my forgiveness application?
- How is my loan forgiveness amount calculated?



About us

- Community-focused lender 100% invested in our borrowers' success
- 65+ year history of offering innovative lending solutions to help business owners achieve their dreams
- Provides a streamlined path to business funding—borrowers can directly access 15+ loan programs through a single lender

Pursuit and the Small Business Administration (SBA)



U.S. Small Business
Administration

Pursuit'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 SBA to ensure you can maximize your loan forgiveness.
- We will attempt to make the forgiveness process application and process as painless as possible so you can focus on running your business.

Pursuit's advice to business owners

- Be patient!
- The rules around forgiveness continue to evolve and new guidance is released every few days. Over time, the rules continue to be relaxed. There is no reason to rush into forgiveness.
- There are no “experts” with more knowledge about PPP – be careful incurring additional expenses with third party “experts” who claim that they can assist in your forgiveness application.

Process to obtain loan forgiveness

- SBA recently released revised Form 3508 and Form 3508EZ, which are titled Paycheck Protection Program Loan Forgiveness Application.
- In the coming weeks, Pursuit will release a simple online application for forgiveness to assist our borrowers.
- Review the calculations and documentation requirements. **You do not need to fill out the SBA form.**

How to qualify to use SBA Form 3508EZ

Option 1

Self-employed,
independent
contractor, or sole
proprietor

No employee salaries
included in PPP loan
application payroll
calculation

Option 2

No reduction in salary
or wages of any
employee by more
than 25% during the
covered period

No reduction in the
number of employees

Option 3

No reduction in salary
or wages of any
employee > 25%
during the covered
period

Borrower was unable
to operate at the same
level of business
activity

General loan forgiveness calculation

Total of expenses incurred during the 24-week “covered period”

The covered period generally begins the day your loan was disbursed



**Payroll costs
(at least 60% of expenses)**

- Rent or lease payments
- Utility Payments
- Mortgage Interest Payments

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?

- 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 2.5 months' worth of the 2019 net profit (calculated at $2.5/12$ of the net profit).
- The maximum forgiveness amount is \$20,833 per individual.

How to calculate non-payroll costs

Mortgage Interest

- Payments of mortgage interest (not including any prepayment or payment of principal) on an obligation incurred before 2/15/20

Rent

- Payments of business rent or lease on real or personal property in force before 2/15/20

Utilities

- Payments for service of electricity, gas, water, telephone, or internet access for service which began before 2/15/20

What happened to the employee calculation?

- SBA Form 3508EZ does not include any calculations to reduce the loan forgiveness amount.
- By certifying that the business was unable to operate at the same level of business activity during the covered period, the forgiveness reduction rules do not apply.
- Businesses are not required to calculate FTE employees if the business was impacted by the pandemic.

How does an EIDL Advance impact forgiveness?

- The EIDL Advance was a grant up to \$10,000. SBA is not allowing businesses to obtain overlapping PPP forgiveness and an EIDL Advance.
- The EIDL Advance will automatically be deducted from your forgiveness amount. For example, if your PPP loan is \$50,000 and you are eligible for full forgiveness, but you also received a \$5,000 EIDL Advance, your PPP loan forgiveness will be limited to \$45,000.

Documentation requirements for payroll

- Bank account statements or third-party payroll provider reports documenting the amount of cash compensation paid to employees
- Tax forms (typically IRS Form 941 or state equivalent) for the periods falling within the covered period
- Payment receipts, cancelled checks, or account statements for employee health insurance and retirement plans

Documentation requirements for nonpayroll

Mortgage Interest

- Copy of lender amortization schedule with receipts or cancelled checks OR lender account statements

Rent

- Current lease agreement with receipts or cancelled checks OR lessor account statements

Utilities

- Invoices, receipts, cancelled checks, and/or account statements

What if my loan is not completely forgiven?

- The amount remaining after loan forgiveness is accounted for will remain as a loan that must be repaid. The interest rate is 1%.
- The deferral period has been extended so that no payments are due until **after** loan forgiveness has been determined.
- While SBA allows for an extension of maturity from two years to five years, Pursuit will not consider extensions of the loan maturity until **after** loan forgiveness has been determined.

How to maximize your loan forgiveness amount

- Pursuit is your lender. We are here to assist with the rules and processing of your forgiveness application.
- We recommend you speak with your accountant, attorney, 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.



Resources

www.pursuitlending.com/

<https://pursuitlending.com/resources/ppp-loan-forgiveness-guide/>

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