

Lessons Learned from Getting PPP Funding

Most construction companies, and particularly those that involve in-person customer interaction, have been severely impacted by the Coronavirus pandemic. Businesses saw revenue generating activity cease, almost overnight, as social distancing and safety concerns drove construction projects to shut down across the state with no real timeline in place as to when that would change.

The CARES Act was the 3rd stimulus package approved by Congress and signed into law on March 27, four days after Governor Baker ordered all non-essential activity to cease in Massachusetts. In particular, the CARES Act included up to \$349B to help small business through the Payroll Protection Program (PPP) lifeline. An additional \$310B was added on April 24, for a total of \$659B.



The Treasury department issued sporadic information about how the program would work, who could apply for it, who would administer it and the timeline for sending in submissions. The banks and businesses were not prepared, but despite this every small business in the country was expressing interest, reaching out to their banking contact trying to book their spot in the queue.

The following advice is shared by the CFO of 3 construction businesses who was ultimately successful in receiving loans within 10 days of application for each of those businesses. The key to be able to do this was taking some bets on what would be asked for, starting to prepare it early and managing communication. The following were the keys to receiving 3 loan packages.

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Start communication as soon as possible and keep it going until the cash is in your account

1. Contact your bank and ask how they are processing loans

- a) If you have an SBA loan already, contact the bank that processed it – you're already set up
- b) If you have different banks for different accounts (eg loans vs checking), contact both and see if they are able to process SBA loans
- c) If your bank is processing loans but your account manager isn't actively involved, ask them to personally introduce you to the person(s) who is and make sure you have that person's contact details so you can liaise directly

2. If you're not happy with your bank and were already considering leaving, ask your network for a recommendation and an introduction—tell them you're considering shifting your business

3. Keep in frequent contact with the person processing your application and build a rapport in what is a stressful situation for you both

We immediately reached out to the banks where we had a history and relationship and asked what they were looking for. At the time, in the week before processing began, they didn't know, and we got different answers from different people ranging from "look at the Treasury website" to a long list of potential collateral requirements which the Program does not require. We kept all of the banks informed of what the others were telling us, and what we were hearing from trusted contacts, creating a 2-way information flow to keep the conversations going.

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If you have a CPA, use them, even if you normally only talk once a year at tax time!

- 1. Even if the firm is local, they are usually part of a larger CPA network, and can help not only with preparing the needed documentation, but interpretation of the rules and assistance with any difficulties you may have in gathering information.**
- 2. It's free! Their costs are paid for out of the loan origination fee the bank collects from the SBA.**

We worked closely with our CPA, who was particularly helpful in making sure we understood how the rules were evolving in the week between the Act passing and the PPP being implemented, sharing information he was hearing from other clients as to how they were approaching data collection and presentation, as well as what was being accepted vs questioned by the banks.



The loan is based on payroll information and you need to be able to prove it – for the loan and for forgiveness

- 3. Understand the definition of payroll costs – it includes salary, commissions, tips, vacation and sick pay, severance, certain state and local taxes, and employer contributions to healthcare and retirement.**

- a. Payroll costs are capped at \$100,000 annualized per employee – this includes all costs related to each employee, not just salary alone

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2. If you have a payroll provider, talk to them.

- a) Most have now developed reports that meet the requirements of the PPP, that can be run for 2019 (or Q1 2020 if you're a new company)
- b) They can also provide copies of your tax filings for forms 940 and 941

3. If you don't have a payroll provider but do payroll in-house, you will need to provide forms 940 and 941, as well as summary of information by person as back up for the payroll information used in the application.

4. Copies of invoices or payments for any healthcare and retirement contributions are needed.

5. Create a summary page clearly listing what is included and calculating an average monthly payroll number and employee headcount number that you will use on the application.

6. Put all of the information together in one place – preferably a pdf – that you can easily attach to the application or send to your bank contact.

7. Although 25% of the final loan amount can be put towards non payroll costs such as mortgage interest, or utility payments, this information is not part of the loan calculation.

We downloaded payroll information and forms 940 and 941 and because of the timing and the lack of any guidance at the time on how the payroll information should be consolidated, created a summary sheet for each application; it started with the base salary information and layered in additions and subtractions for, as an example, state taxes, healthcare invoice payments, minus employee healthcare contributions, retirement contributions and

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adjustments for any employee costs over \$100,000. Each line item tied back to information clearly identified in the back up with the intent of being crystal clear as to how we arrived at the base payroll number used on the application and minimizing questions from the bank. We also scanned it into one document so that there was no chance for pages to be misplaced and cause delays.



Send in your application as soon as possible – do not wait for additional instructions, for the new money to be formally released or for the bank to tell you that they are “ready”

- 1. The application itself is a simple 4 page document – with input required on 2 pages**
- 2. It is available on the [SBA website](#), the [Treasury website](#) and on most bank’s websites**
- 3. Information required includes basic company information (a); the payroll information created above (b); Yes/No answers to 8 questions (c); a series of certifications (d) and an authorized signature**
 - a) Name, Structure, Tax ID, Contact details, Owner details
 - b) The monthly payroll information from the back up data is entered and multiplied by 2.5 to generate the loan amount
 - c) There are 8 Yes/No questions, 2 of which require initials. Most of the questions relate to felony records and payment history with current or prior SBA loans. One question pertains to the Economic Injury

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Disaster Loan, which you may also be eligible for, and requires additional information to be submitted

- d) The certifications confirm identity, the accuracy of the data, the need for support and that the funds will be used to maintain payroll
4. **The bank is not required to confirm your data – although they may have questions – nor are they required to independently attest to the accuracy of the data.**
 5. **Many banks are using web portals to gather applications – most simply duplicate the information requested on the application form and once submitted send a message that someone will reach out. If your bank requests this and you have prepared everything above, this should take no more than a few minutes.**
 6. **Regardless of the above, send a pdf of the application and a pdf of the back up to your contact, clearly stating that you have applied through the portal but attached is all the information requested and to let you know if they have questions.**

We sent in one application the Thursday before the system opened. It was the simplest application in terms of data collection and it was somewhat a way to test the waters as to how our information and formatting would be received. We took a risk knowing that the instructions were not final and things could change but wanted to get ahead as quickly as possible. The application form did, in fact, change overnight but this was a very easy fix and we resubmitted that one document with signatures again on Friday morning, responded to a couple of questions very quickly and despite our account manager actually being sent home to self-isolate that afternoon, our loan was accepted by the SBA the following Monday with no additional information requested. The two other applications were submitted to a different bank that had a different process: the bank required us to submit an application through an online

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portal that wasn't set up until Friday afternoon which we did as soon as our account manager sent us the link. We also emailed all of the documentation without waiting to be asked for it.



You cannot over communicate

1. **Follow up frequently with your contact but be polite; they are stressed and overwhelmed as well.**
2. **Respond to any questions or requests for further information as quickly as possible – the bank will not enter your information into the system until it is complete.**
3. **Ask your contact how long the SBA processing is currently taking once the application is entered and approved – our first application took 3 days to be accepted, including the weekend, and the second took almost a week – with the funds following about a week later in both cases.**

Every bank is processing the loans differently, although they should by now have entered a consistent rhythm, and are asking different questions and being particular about different things. As an example one bank requested we resubmit our application because we rounded up \$0.50 to the nearest \$1, another rounded the entire request to the nearest \$10. Our aim was to be as responsive in our turn-around time as possible, whether it was responding to questions or ultimately reading the final loan documentation and submitting signed loan acceptance documents.

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The 8 week clock starts ticking when the funds arrive in your account

1. **Final guidance on how the forgiveness program will work are still being drafted but...**
2. **Start keeping records now of what the money is being spent on - use your CPA for help; remember it's free.**
3. **Know that forgiveness is based on:**
 - a) The amounts used for payroll and other specific expenses which can be no more than 25% of the total loan
 - b) The number of headcount reduced and not restored by June 30
 - c) The % of wages reduced and not restored by June 30

Additional information on the PPP loan and other programs available to small businesses are available on the [US Treasury website \(link here\)](#).

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