

**OnPoint Community Credit Union
PPP Loan Frequently Asked Questions – As Of 1.20.21**

Federal legislation created a second loan in the Paycheck Protection Program, called a "PPP second draw" loan for amounts up to \$2 million if Borrowers experienced at least a 25% decrease in gross revenues by comparing average monthly gross revenues for any quarter in 2020 to the same quarter in 2019. For Borrowers that were not in business during the full year 2019, special rules apply (see SBA rules and our PPP loan workbook template for calculating this formula).

Please Read: This FAQ Document is organized by section. We recommend reading the document before filling out your loan application, especially Section #1, below, and the "3 Steps to Submission" guide on pg. 5.

1. How Can I Avoid Application Mistakes That Can Delay Loan Processing?

- A. Revenue amounts.** In the application process (for purposes of calculating at least a 25% decline in revenue from 2019 to 2020) Borrowers will be asked to enter their average monthly revenue amounts for ANY quarter of their choice in 2019 which will be measured against the same quarter in 2020. **After the quarters have been selected and amounts have been entered, when the applicant clicks "NEXT" (after entering the second amount), the selected quarters and amounts cannot be changed or edited (without first contacting OnPoint at 503-228-7077) if the applicant made a mistake.** Be sure to perform your own analysis of the quarters selected to determine the 25% reduction calculation is met before selecting a quarter or entering amounts.
- B. Application does not save progress (avoid starting over).** Applicants must complete an entire section (not an entire screen) in order for the portal to save any section. For example, once an applicant has started the "Business Info" section, they will need to move to the next section ("Upload Documents") to save the "Business Info" Section. If an applicant does not complete the entire "Business Info" Section before logging out or closing the browser, the portal will require the uncompleted section to be re-entered.
- C. Sign, date and initial documents.** Documents required to verify reduction of revenues require added details: 1) All quarterly or monthly financial statements must be signed and dated with EVERY page initialed attesting to the accuracy; 2) All quarterly or monthly bank statements must clearly indicate which deposits listed on the statements constitute gross receipts (revenues); and 3) All tax return forms for 2020 or 2019, including Proforma tax return forms (i.e. IRS Form 1040 Schedule C, IRS Form 1040 Schedule F and IRS Form 1065 Schedule K-1's)

D. Applications not Processed. I was given a message after submitting the application in the Portal that the “application cannot be processed based on the information provided on prior screens”. I think I **do** qualify, what are some common mistakes?

- The quarters you input in the Application may not have resulted in a 25% reduction comparing that quarter in 2020 to the same quarter in 2019. The system does not calculate the amount prior to you submitting the application. **There is no warning if the 25% reduction is not met, and you will NOT be prompted to enter a different quarter prior to submission of the online application.** Please reach out to your CRM at OnPoint to manually correct if you have already submitted your application. You may use the “OnPoint PPP3 Loan Application Workbook 1.15.21” excel workbook to see if your quarters meet the revenue reduction test requirements; we recommend referencing this workbook before starting the loan application if you choose to use it.
- Review the details of the PPP program to ensure your business qualifies for a loan from the SBA. Main considerations include percentage ownership, business start date, and industry restrictions.

2. Can You Help With OnPoint Application Portal Issues?

A. Login or document uploading problems. The OnPoint website has login troubleshooting instructions at <https://www.onpointcu.com/member-assistance/?referrerPageUrl=https%3A%2F%2Fwww.onpointcu.com%2F&Facets.filterbox.filter0=%5B%22SBA+PPP+Loan+Forgiveness%22%5D>.

3. What Are The Primary Loan Qualification Issues?

A. Can I qualify for a second draw PPP loan if I received a prior PPP loan?

Yes, rules state that Borrowers can receive a 2nd PPP loan as long as the Borrower has used or will use the full amount of the 1st draw PPP loan on or before the expected date the 2nd draw loan is disbursed to the Borrower.

B. Do new businesses qualify to receive a PPP loan?

A business must have commenced operations on or before February 15, 2020 in order to receive a PPP loan.

C. Does a permanently closed business qualify to receive a PPP loan?

No, the SBA prohibits permanently closed businesses from obtaining loans but does allow businesses that are temporarily closed to receive loans.

D. What is the definition of a seasonal employer?

The new legislation defines a seasonal employer to be an eligible recipient which: (1) operates for no more than seven months in a year, or (2) earned no more than 1/3 of its receipts in any six months in the prior calendar year. This applies to any loan made before, on or after enactment including the forgiveness of the loan.

4. What Are The Primary Revenue Reduction Test Issues For Eligibility?

A. SBA REQUIRES Signed Revenue Documents – See 1C above!

B. Gross Receipts Are Defined By The SBA.

- SBA rules generally defines gross receipts to include all revenue in whatever form received or accrued (in accordance with the entity's accounting method) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances.
 - Generally, receipts are considered “total income” (or in the case of a sole proprietorship, independent contractor, or self-employed individual “gross income”) plus “cost of goods sold”, and excludes net capital gains or losses as these terms are defined and reported on IRS tax return forms.
 - Gross receipts do not include the following: taxes collected for and remitted to a taxing authority if included in gross or total income (such as sales or other taxes collected from customers and excluding taxes levied on the concern or its employees); proceeds from transactions between a concern and its domestic or foreign affiliates; and amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker.
 - All other items, such as subcontractor costs, reimbursements for purchases a contractor makes at a customer's request, investment income, and employee-based costs such as payroll taxes, must be included in gross receipts.
- C. Loan Proceeds Do Not Count.** PPP and other loan proceeds do not count as “gross revenues” for purposes of evaluating whether revenues dropped by at least 25%.

5. What Are The Major Payroll Cost (Owner Profit) Issues For Loan Sizing?

A. SBA REQUIRES Signed Tax Returns If Submitted With Application – See 1C above!

B. 2020 vs. 2019. Can I choose to use either 2020 or 2019 Payroll Cost amounts and self-employment income to determine my loan amount, even if I used 2019 for my first PPP loan?

Yes, Borrowers can choose the year that provides the highest total Payroll Cost in order to maximize loan amount. However, the same year must be used for all purposes (i.e. if a self-employed individual with employees uses 2020 payroll costs to determine the loan amount, they must also use 2020 self-employment income and cannot use 2019 self-employment income) – no mixing years within the same application. Tax Returns used to support owner compensation must be signed and dated, even if Proforma tax returns are prepared and used (see Section 1 above).

C. Calculating Average Monthly Payroll Amounts. In calculating the average monthly Payroll Cost required in the PPP loan application and for the Holmes & Company, P.C. Loan Application Workbook (Payroll Cost Calculation tabs) on your website, how many months do I use to divide into the total annual Payroll Costs – is it the number of months my business was open and operating during the year in which I am claiming Payroll Costs? Or is it the number of months my entity was established as a business during the year in which I am claiming Payroll Costs?

The number of months used for calculating average monthly payroll is the number of months in the chosen year that the entity was established as a business. For example, assume your business is calculating Payroll Costs for 2020 to determine the PPP loan amount. Further assume the business was established and operating as of January 1, 2019 and temporarily closed operations on April 1, 2020 (regardless of whether it re-opened in 2020). The number of months used to calculate the average monthly payroll in 2020 is the 12 months the entity was established as a business, not the 3 months the business was in operations.

D. Farmers May Be Different. Has the calculation of maximum loan amount for Farmers and Ranchers changed?

Yes for the self-employed (see SBA Rules for changes); however, for further assistance we have provided a simple PPP Loan Application Payroll Cost Calculation Schedule for Farmers and Ranchers in an Excel electronic file format (called “OnPoint PPP3 Loan Application Workbook 1.15.21”) which is located on the OnPoint and our website. This tool is the 6th tab in the workbook named “6. Payroll Cost-Form 1040 Sch F”.

6. What Are The Major Document Issues?

- A. Proforma Tax Returns.** If I have not filed my 2020 tax returns can I submit Proforma tax return copies of my IRS Form 1040 Schedule C or F, or IRS Form 1065 Schedule K-1s?

Yes, SBA allows Proforma tax return copies but all copies must be signed and dated, even if not filed.

- B. 941 Filing Requirements.** What does the Application mean when it requests documents from “businesses subject to IRS Form 941”? What if I do not file this form with my tax return?

Certain business organization are exempt from filing Form 941 because they do not have employees who qualify as employees under the Form 941 definitions. Make sure when uploading documents in the portal to read upload descriptions and upload the correct documents depending on if you file this form. Note: If this does not apply to your business, upload an additional copy of your Form 1040 Schedule C, Form 1040 Schedule F, or Form 1065 K-1's as applicable. If you do not upload a document, the system will prevent you from continuing in the Loan Application Portal.

3 Steps to Submission – Quick Approval Tips

There are three things you can do that will make a big difference in loan processing.

1. Test Eligibility. For 2nd Draw Borrowers (Borrowers who already received a PPP loan), the SBA requires a Revenue Reduction Test to qualify for a 2nd loan – make sure you pass that test before you spend unnecessary time applying for a 2nd PPP loan.

Before beginning your Online Application, you will need to complete an analysis of quarters to enter information correctly into the “Business Information” section of the Online Loan Application. You will be able to access this section once you have completed the “Getting Started” section and have received an email prompting you to create an account.

To help you with this analysis, we prepared an eligibility tool for our Borrowers called the SBA PPP Loan Application Gross Revenue Reduction Test in an Excel electronic file format (the file is named “OnPoint PPP3 Loan Application Workbook 1.15.21”) which is located on the OnPoint and Holmes & Company, P.C. website (www.pdxcpas.com). The tool is the first tab in the workbook named “1. Revenue Reduction Test” and provides step by step instructions to help you determine whether your input has passed the Test and which quarters to input in the Online Application to prove a 25% reduction in revenues.

NOTE: It is of the utmost importance that you enter the correct 2019 quarter (Q1, Q2, Q3, Q4) from the drop down in the application, and that you enter the correct corresponding amount per your calculation. You cannot go back and change this input after submitting your application due to system limitations, and it will require the Applicant to reach out to a Customer Relationship Manager (“CRM”) at OnPoint to change the number manually. This may result in delays to the processing of your Application.

2. Review Document Requirement Matrix. In order to help you determine which supporting documents are required for your business entity type, we prepared a PPP Loan Application Document Matrix for our Borrowers in an Excel electronic file format (called “OnPoint PPP3 Loan Application Workbook 1.15.21”) which is located on the OnPoint and Holmes & Company, P.C. website (www.pdxcpas.com).

This document is the 2nd tab of the workbook and describes exactly which documents will be required for loan approval for each entity type. Review this document carefully as there will be no exceptions to the SBA documentation rules. You will need to assemble the appropriate documents to complete and support your Revenue and Payroll Cost calculations. Failure to provide required documents will prevent or delay loan approval.

You will be required to upload the required documents in electronic format to the OnPoint SBA PPP Loan Application Portal in order to submit your Application. If, during the course of uploading documents, the application does not allow you to proceed, and you are prompted to upload all necessary documents when you try to click “NEXT”, **please read through the upload descriptions and ensure you have a document uploaded in each area labeled “(required)”**. In some instances, you may be required to upload a duplicate document in an additional area to proceed to Application submission.

3. **Prepare and Submit Payroll Cost Calculation Schedules**. Depending on the entity type and the number of employees, Payroll Costs used to determine the loan amount can consist of multiple components such as cash compensation, employee benefits, employee retirement plan contributions, and state / local taxes assessed on employee compensation. The SBA requires each component to be separately verified. If you have questions concerning eligible costs, please refer to SBA guidance or contact your OnPoint CRM.

You will need to complete a payroll cost calculation before starting the application and input the result in the “Business Information” section of the application. You will access this section once you have completed the “Getting Started” section and have received an email prompting you to create an account. If you have questions relating to “Payroll Cost”, please reference the FAQ.

To make loan approval efficient, we prepared a simple PPP Loan Application Payroll Cost Calculation Schedule for each entity type for our Borrowers in an Excel electronic file format (called “OnPoint PPP3 Loan Application Workbook 1.15.21”) which is located on the OnPoint and Holmes & Company, P.C. website (www.pdxcpas.com). These schedules are contained in tabs 3, 4, 5 and 6 (based on entity type). Choosing the correct tab is important as the calculation differs slightly depending on your entity type. Borrowers who complete and return these schedules through the application portal may significantly decrease loan approval times.

IMPORTANT: Make sure the supporting documents you upload to the portal show how you arrived at each number entered into the Excel tools. You may need to include an accompanying page or file with your calculations/annotations in clearly indicating which amounts were used in your calculation.