



**United States Small Business Administration's
Paycheck Protection Program**

Application Process – Phase II



United States Small Business Administration's Paycheck Protection Program *Application Process – Phase II*

Dear Valued Customer / Potential Applicant:

Thank you for your interest in applying for the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP) with American Community Bank of Indiana (ACB).

We hope that you will find this document useful in helping you with both the application process as well as helpful tips for best practices on how to utilize funds during your loan period based on learned experiences during Phase I of the Paycheck Protection Program which ran from April through August of 2020.

Please carefully read the guidelines for qualification on the following page to see if your business will qualify for a PPP loan based on updated guidance from legislation that passed in Congress on December 21, 2020 and was signed into law on December 27, 2020. Several provisions have changed from Phase I of the Paycheck Protection Program, so some businesses may not qualify.

Please rest assured that we will work diligently to ensure that your application is processed. During Phase I of the Paycheck Protection Program, American Community Bank:

- Funded loans for 337 totaling \$21,684,300;
- Provided protection for approximately 2,750 jobs;
- Aided those who needed it most (average loan size of \$64,345 compared to the Paycheck Protection Program's average size of \$100,731);
- Helped businesses in 7 states and 60 towns/cities;
- Assisted businesses from 18 of the SBA's 20 industry classifications;
- Processed 100% of all eligible applications

If at any point you have any questions, please feel free to contact a member of our commercial loan department. Our contact information is included below. With general questions, please email ppp@acbanker.com or call (219) 440-5990.

Once again, thank you for putting your trust in us during these challenging and unprecedented times.

Sincerely,

Brian D. Specht
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REQUIREMENTS FOR QUALIFICATION

PPP “FIRST DRAW” LOANS

Borrowers with no previous PPP Loan

- Any small business concern that meets SBA’s size standards (either the industry based sized standard or the alternative size standard)
- Sole proprietors, independent contractors, and self-employed persons
- Any business with a NAICS Code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location
- Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, 501(c)(6)s, destination marketing organizations, housing cooperatives, newspapers, broadcasters, radio stations, or Tribal business concern (sec. 31(b)(2)(C) of the Small Business Act) with the greater of:
 - 500 employees, or
 - That meets the SBA industry size standard if more than 500
- PROHIBITED from receiving PPP funds: publicly traded companies and any entities receiving a Shuttered Venue Operator Grant

PPP “SECOND DRAW” LOANS

Borrowers who previously or presently have a PPP Loan

- “Second draw” loans are targeted at hard-hit businesses that employ 300 or fewer employees and that have used or will use the full amount of their first PPP loan.
- **Borrowers must show a 25 percent decline in revenue in the first, second, third, or fourth quarter in 2020 as compared to the same quarter in 2019.**
- PPP2 borrowers must certify that they spent or will spend the full amount of a PPP1 loan on authorized uses before the PPP2 distribution date (this appears to include amounts spent outside of the 24-week covered period)
- Borrowers aren’t eligible for a PPP2 loan if they:
 - Weren’t eligible for PPP1 or received a PPP1 loan but were later determined to be not eligible to receive it
 - Already received a PPP2 loan (in other words, borrowers can only get one PPP2 loan)
 - Are permanently closed
 - Received a grant for shuttered venue operators under section 324 of the Economic Aid Act (note there’s an exception for those who received a PPP1 loan prior to the enactment of the Act)
 - Are prohibited borrowers listed under section 7(a)(37) of the Small Business Act, e.g., lobbying organizations, entities organized under the laws of the People’s Republic of China, etc.

All information is based on the most recent SBA and Treasury guidance and is subject to change.

- Lesser of 2.5 times a borrower's average monthly payroll costs or \$2 million; unless the borrower is assigned an NAICS code beginning with 72 at the time of disbursement, i.e., hotels and restaurants, in which case borrowers can use 3.5 times average monthly payroll. The IFR provides the following clarifications:
 - The same definition of payroll costs for PPP1 is used for PPP2, including the \$100,000 annual compensation limit
 - Borrowers can use average monthly payroll costs for 2019 or 2020 for PPP2
 - Same calculations under PPP1 loans are used for PPP2 for Schedule C filers and partnership filers
 - Farmers or ranchers with employees must reduce gross income on Schedule F by payroll costs to avoid double-counting
- The forgiveness of the second draw loans follows the rules in the first round of loans, including the various reduction provisions. The covered loan period will be any time period selected by the borrower that is more than 8 weeks from the date of deposit but not greater than 24 weeks from such time.

PROGRAM RULES AND REGULATIONS

The new stimulus bill allows borrowers to select the end date of their business' loan covered period. It must be greater than 8 weeks from the date of disbursement of the PPP loan, but not more than 24 weeks.

During this time-period, funds must be used for allowable payroll costs and allowable non-payroll costs.

- Payroll Costs (60.00% or greater of loan amount)
 - Owner cash compensation
 - Maximum forgivable compensation for any owner is
 - \$15,385 for an 8-week period
 - \$20,833 for a 24-week period
 - Employee cash compensation
 - Maximum forgivable compensation for any one employee
 - \$15,385 for an 8-week period
 - \$46,154 for a 24-week period
 - Employer contributions to employee retirement plans
 - Employer-share of state and local taxes assessed on employee compensation
- Non-Payroll Costs (40% or less of loan amount)
 - Mortgage interest payments related to the business
 - Rent payments related to the business
 - Utility payments related to the business
 - Covered operations expenditures
 - Includes software, cloud computing, and other human resources and accounting needs
 - Covered property damage
 - Includes property damage costs due to public disturbances that occurred during 2020 that are not covered by insurance
 - Covered supplier costs
 - Covered worker protection expenditures (PPE)

All information is based on the most recent SBA and Treasury guidance and is subject to change.

Provisions regarding staffing levels remain the same:

- Number of Staff: Loan forgiveness will be reduced if you/borrower decrease your full-time employee headcount.
- Level of Payroll: Loan forgiveness will be reduced if you/borrower decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.

APPLICATION PROCESS

PPP “FIRST DRAW” DOCUMENTATION REQUIREMENTS

S-Corporations/C-Corporations/LLCs/Partnerships

- 2019 Q1, Q2, Q3, Q4 IRS Form 941s
- 2019 IRS Form 940 & W-3
- 2020 Q1, Q2, Q3 IRS Form 941s (Q4 if available)
- 2020 IRS Form 940 & W-3 (if available)
- 2019 Tax Return (IRS Form 1120S, 1120, or 1065)
- 2019 Quarterly Income Statement for Q1, Q2, Q3, and Q4
- 2020 Quarterly Income Statement for Q1, Q2, Q3, and Q4
- Most recent payroll report for business
- Articles of Organization and Operating Agreement for business
- NAICS Industry code for business
- Business start date
- Driver’s License for Signer/Owner

Sole Proprietors/Independent Contractors

- If you are the only employee (owner-employee)
 - 2019 Tax Return (IRS Form 1040C)
 - 2019 1099s
 - 2019 Quarterly Income Statement for Q1, Q2, Q3, and Q4
 - 2020 Quarterly Income Statement for Q1, Q2, and Q3
 - NAICS Industry code for business
 - Business start date
 - Driver’s License for Signer/Owner
- If you have more employees than yourself, we will additionally need:
 - 2019 Q1, Q2, Q3, Q4 IRS Form 941s (if you have employees other than yourself)
 - 2019 IRS Form 940 & W-3 (if you have employees other than yourself)
 - 2020 Q1, Q2, Q3, Q4 IRS Form 941s (if you have employees other than yourself)
 - Most recent payroll report for business

All information is based on the most recent SBA and Treasury guidance and is subject to change.

PPP “SECOND DRAW” DOCUMENTATION REQUIREMENTS

S-Corporations/C-Corporations/LLCs/Partnerships

- 2020 Q1, Q2, Q3 IRS Form 941s (Q4 if available)
- 2020 IRS Form 940 & W-3 (if available)
- 2019 Tax Return (IRS Form 1120S, 1120, or 1065)
- 2019 Quarterly Income Statement for Q1, Q2, Q3, and Q4
- 2020 Quarterly Income Statement for Q1, Q2, Q3, and Q4
- Most recent payroll report for business

Sole Proprietors/Independent Contractors

- If you are the only employee (owner-employee)
 - 2019 Tax Return (IRS Form 1040C)
 - 2019 1099s
 - 2019 Quarterly Income Statement for Q1, Q2, Q3, and Q4
 - 2020 Quarterly Income Statement for Q1, Q2, and Q3
- If you have more employees than yourself, we will additionally need:
 - 2020 Q1, Q2, Q3, Q4 IRS Form 941s (if you have employees other than yourself)
 - 2020 IRS Form 940 & W-3 (if you have employees other than yourself)
 - Most recent payroll report for business

All information is based on the most recent SBA and Treasury guidance and is subject to change.