

Paycheck Protection Program Loan Forgiveness Webinar

June 10, 2021

Edited Transcript by Allison Rian

0:00:00.000,0:00:03.280

Theresa Keaveny: Well, without further ado, I'd like to introduce Megan radha--

0:00:03.280,0:00:09.920

excuse me, Megan Roberts, who is with the University of Minnesota agricultural extension and

0:00:09.920,0:00:18.800

she has become quite an expert and go-to person on all things PPP. Megan and her family are farmers

0:00:18.800,0:00:28.960

as well, so she actually brings expertise as both an extension outreach educator and as a farmer.

0:00:29.520,0:00:33.920

And then we also are pleased to have with us Farmers Legal Action Group

0:00:33.920,0:00:41.040

attorneys Stephen Carpenter and Lindsay Kuehn, and FLAG has prepared many educational--I

0:00:41.920,0:00:49.120

want to say books and booklets and components
on PPP and other agricultural programs.

0:00:50.000,0:00:52.960

And I'll just turn it over to you, Megan.

0:00:52.960,0:00:59.840

Megan Roberts: Thank you so much Theresa. I--we're
going to get started here today and going through

0:00:59.840,0:01:04.880

kind of four major categories. First we're
going to start with a refresher on the Paycheck

0:01:04.880,0:01:11.680

Protection Program and kind of the differences
between PPP 1 & 2. After we do that refresher,

0:01:11.680,0:01:18.240

we'll dive into what is the real topic for
today: loan forgiveness. And Lindsay's going

0:01:18.240,0:01:23.840

to head that up. We'll get a bit deeper
with a closer look at some of the rules

0:01:23.840,0:01:29.760

that are surrounding loan forgiveness
at your lending institutions. And then,

0:01:29.760,0:01:36.400

Stephen is going to follow up our end of our presentation, with a look at the appeals process,

0:01:36.960,0:01:42.720

discrimination, and other considerations, as we move through the Paycheck Protection Program. So

0:01:42.720,0:01:49.520

I'm going to get started here with this refresher and why are we taking time today to discuss

0:01:50.160,0:01:55.520

the application and sort of things that are historical related to PPP 1 & 2.

0:01:56.320,0:02:01.680

Well, we feel it's really been a long year with a lot of governmental programs,

0:02:01.680,0:02:07.360

and it can be helpful to just refresh, what are we talking about when it comes to PPP,

0:02:07.360,0:02:11.600

how is that different than maybe some of the other COVID-related programs

0:02:11.600,0:02:18.400

that either you've heard of or maybe even on your farm you've applied for them, and that-- that's a

0:02:18.400,0:02:26.000

really nice foundation for what Lindsay is going to get into with the nitty gritty of forgiveness.

0:02:26.000,0:02:32.640

So, PPP was created, all the way back in March 2020 which seems like

0:02:32.640,0:02:38.720

just yesterday but also eons ago, and it was designed during those early days in

0:02:38.720,0:02:46.880

the COVID pandemic to help employers keep their employees on their payroll. But it wasn't just

0:02:46.880,0:02:54.160

for those that had employees, it was also to help keep sole proprietors employed as well. So

0:02:54.160,0:03:02.320

you could use PPP 1 as owner's compensation if you were--owners compensation replacement if

0:03:02.320,0:03:09.280

you were a sole proprietor and/or to help
keep your other employees on the books.

0:03:09.920,0:03:16.560

We also saw another iteration of the Paycheck
Protection Program come about in late December

0:03:16.560,0:03:24.960

2020. We're going to call it by its short name
PPP 2. You also might hear it referred to as PPP

0:03:24.960,0:03:33.920

Second Draw. And that was a second iteration as
the pandemic dragged on to allow some employers

0:03:33.920,0:03:45.360

to be able to get a second PPP draw. PPP, whether
we're talking about PPP 1 or PPP 2 is a forgivable

0:03:45.360,0:03:54.173

loan and it, in general, covers for most two and a
half months worth of payroll costs, or that owner

0:03:54.720,0:04:01.760

compensation replacement. And this includes, of
course, farmers in that small business category.

0:04:03.200,0:04:09.440

PPP, in terms of applying for

that initial forgivable loan,

0:04:10.320,0:04:16.960

closed for the last time on May 31st. We've had multiple closures over the last year and a half,

0:04:16.960,0:04:23.360

and it has finally been closed without an extension as of May 31st.

0:04:24.240,0:04:29.200

There's quite a number of different COVID-19 programs that are out there

0:04:30.160,0:04:36.640

on the federal level and on the state level. In general, the two that seem to get most confused

0:04:36.640,0:04:43.360

for one another seem to be the Paycheck Protection Program and then the Economic Injury Disaster

0:04:43.360,0:04:52.640

Loan. PPP versus EIDL. They are two very separate programs, but they are related in the fact that

0:04:52.640,0:04:59.280

they are both administered by the Small Business Administration. They have some similar uses. It's

0:04:59.280,0:05:07.920

really important to note that the Economic Injury Disaster Loan is a loan that does not have these

0:05:07.920,0:05:15.120

forgivable parameters that PPP has. So PPP is the one where you're going to apply for forgiveness

0:05:15.120,0:05:21.840

and, hopefully, if you have followed the allowable and forgivable uses, you will receive forgiveness.

0:05:22.960,0:05:29.760

EIDL, you will begin to make payments. It's a very favorable loan, but you make payments on that.

0:05:29.760,0:05:37.520

There's also an EIDL advance, and that acting more like a grant. So a little bit of confusion there.

0:05:37.520,0:05:42.240

Really want to be clear that today we're talking about PPP forgiveness.

0:05:45.040,0:05:50.080

As already alluded to, we've got also two different types of PPP.

0:05:50.080,0:05:55.200

In terms of a First Draw, which was
open to any qualifying small businesses,

0:05:56.000,0:06:02.480

first came out of March 2020 CARES Act and
people could have started applying as of April

0:06:02.480,0:06:09.440

of last year. Depending on when you applied,
you may have made your loan calculations

0:06:09.440,0:06:18.480

on either your gross income or your net income if
you're looking at owner compensation replacement.

0:06:19.440,0:06:27.200

Second Draw came out of some legislation
in December, and that had a bit further of

0:06:27.200,0:06:34.080

a hoop to jump through in that you needed to have
applied and used your Paycheck Protection Program

0:06:34.080,0:06:43.360

One loan, and you needed to show at least 25%
decline receipts. So some of you may have two PPP

0:06:43.360,0:06:49.040

loans to apply for forgiveness on. Some of you might only have that first draw

0:06:49.040,0:06:57.040

that you're going to be applying for forgiveness on. You do need to apply for forgiveness twice,

0:06:57.680,0:07:04.320

if you have a PPP 1 and a PPP 2. It's not combined together. Two separate loans there.

0:07:06.560,0:07:11.440

How much was your PPP Loan? In general, two and a half times your average monthly

0:07:11.440,0:07:18.480

payroll or this self employment owner compensation replacement. In general,

0:07:19.120,0:07:27.840

we would find that farmers were applying based off of Schedule F information, and for other types of

0:07:27.840,0:07:34.720

small businesses and some specific agricultural businesses, it might have been your Schedule C.

0:07:37.520,0:07:43.280

Briefly, we wanted to talk about taxes,

noting that this webinar is not a detailed

0:07:43.280,0:07:52.640

look at any sort of the tax implications of
PPP. Luckily, PPP taxes have been simplified

0:07:52.640,0:07:58.960

over the last year and a half. We have got
into a state, at least at the federal level,

0:07:58.960,0:08:08.480

where it is relatively straightforward. PPP at the
federal level is not recognized as taxable income

0:08:09.360,0:08:17.440

and a PPP recipient was able to deduct the
expenses that were paid for with PPP proceeds.

0:08:18.720,0:08:25.840

So some of the questions that we've received
about PPP involved things like, "Will this

0:08:25.840,0:08:35.840

affect my ability to apply for MNSure or health
insurance programs that utilize my income as a--as

0:08:37.520,0:08:45.760

a threshold for a subsidy?" And because, for
example, the MNSure program utilizes the federal

0:08:46.320,0:08:55.280

modified adjusted gross income as the income source to determine whether you are eligible

0:08:55.280,0:09:01.600

for a certain stipend, PPP in general should not affect eligibility for those programs.

0:09:02.560,0:09:09.360

It's a little bit different on the state level or anything that will use your state adjusted gross

0:09:09.360,0:09:18.480

income for a threshold. In Minnesota, we've already passed tax day here, and we have also

0:09:18.480,0:09:28.000

passed tax day at the federal level, and Minnesota does not follow the same rules that the IRS did

0:09:28.000,0:09:39.760

when it came to how PPP was recognized on a tax level. In Minnesota, our taxes required that we

0:09:39.760,0:09:47.600

made an adjustment for any amount of PPP that was either forgiven or expected to be forgiven.

0:09:48.720,0:09:55.360

We do know that the Minnesota legislature and the governor have made a tentative agreement

0:09:55.360,0:10:05.200

that they will change the treatment of PPP at the state level, however, this has not yet been

0:10:05.200,0:10:09.680

signed into law. We will have to wait for a special session. So, just want to emphasize

0:10:09.680,0:10:15.040

that this is preliminary. If you have done your taxes, which many of us have already,

0:10:15.920,0:10:20.000

but there will have to either be some sort of automatic adjustment that is made,

0:10:20.560,0:10:28.320

or perhaps some will have to amend returns. And we need this to be signed into law in order to know

0:10:28.320,0:10:31.200

with certainty what will happen at the Minnesota level.

0:10:31.200,0:10:36.720

So just the refresher again, federal level
PPP was not taxed, and if you're using

0:10:36.720,0:10:41.760

any sort of program that relies on
federally adjusted gross income,

0:10:41.760,0:10:47.920

like the MNSure program, it should not affect
you. Minnesota we did have a tax on PPP,

0:10:47.920,0:10:51.280

but it could change in the coming weeks,
as we move through a special session.

0:10:53.120,0:10:56.880

What information should you retain
from your original application for PPP?

0:10:56.880,0:11:01.040

So this isn't forgiveness applications,
but your original application for PPP.

0:11:01.920,0:11:06.320

Hopefully you've retained the information
of what you put into your application

0:11:06.320,0:11:10.560

and generally the documentation that

might have been submitted to your lender,

0:11:10.560,0:11:18.880

like your schedule F or your Form 943
if you have employees on your payroll.

0:11:18.880,0:11:24.480

Lindsay is really going to go into the details
regarding documentation required for forgiveness.

0:11:25.200,0:11:31.680

And with that I'm really going to hand it
over to FLAG to get into the nitty gritty

0:11:31.680,0:11:37.680

of forgiveness. We kind of assume at this point,
if you have joined us on this webinar, you have

0:11:37.680,0:11:43.680

already applied and received your PPP loan and
you want to know what are those next steps as we

0:11:43.680,0:11:49.840

move into it. If you do feel like you need any
sort of additional refresher on some of these

0:11:50.560,0:11:56.160

PPP basics, we do have all those previous
webinars available on the MISA website

0:11:56.160,0:12:00.640

and a lot of good links there as well.

And with that I'll hand it off Lindsay.

0:12:00.640,0:12:05.680

Lindsay Kuehn--FLAG (she/her): Okay, thank you Megan. Hello, everyone. As Theresa said at the

0:12:05.680,0:12:10.880

beginning, my name is Lindsay Kuehn and I'm one of the attorneys at the Farmers Legal Action Group

0:12:10.880,0:12:18.320

and happy to be here today and try to kind of talk through how you can hopefully receive full

0:12:18.320,0:12:24.080

forgiveness on your PPP loan. And, before I begin I noticed there was one question from someone just

0:12:25.040,0:12:30.080

asking a little more about the distinction between the First Draw and Second Draw PPP loans.

0:12:30.080,0:12:35.760

I wanted to say that the First Draw is, you know, if you have only received one PPP loan

0:12:35.760,0:12:41.040

and you received it earlier this year or after
December, that is also considered a First Draw.

0:12:41.040,0:12:44.960

So the only time you would have a Second
Draw loan is if it's your second PPP.

0:12:45.520,0:12:50.240

And the good news, I mean, all of the
application stuff got really a bit more

0:12:50.240,0:12:54.960

confusing when they introduced the concept
of a First Draw and a Second Draw Loan.

0:12:54.960,0:12:59.040

But, fortunately, for our purposes and
talking about forgiveness, I would say

0:12:59.040,0:13:06.080

95% of the rules are the same for both. So
as I kind of dive into some of the details,

0:13:06.080,0:13:12.960

unless I specify differently, these rules will
apply, whether or not you have First Draw loan

0:13:12.960,0:13:19.600

or a Second Draw loan. And I would just only
add that if you do have both, you would need to

0:13:19.600,0:13:23.120

apply for forgiveness separately. So
that's just something to keep in mind.

0:13:24.480,0:13:29.440

So I think you know, the other thing I wanted to
say is I'm going to really emphasize the rules

0:13:29.440,0:13:34.560

or the guidelines, you need to follow if you're
trying to get full hundred percent forgiveness

0:13:34.560,0:13:39.840

of your loan. I imagine, for most people, that is
the goal. But the caveat with, that is, I want to

0:13:39.840,0:13:44.960

be sure folks know that you know, even if you try
to comply with all the rules and you know, in most

0:13:44.960,0:13:50.720

cases, if you don't fully meet them, you can still
get partial forgiveness. So this isn't a program

0:13:50.720,0:13:55.760

where it is all or nothing. And I think it's an,

you know, it might depend on what rules you aren't

0:13:55.760,0:14:01.040

complying with completely, but in general, you know, you are able to get partial forgiveness, if

0:14:01.040,0:14:06.080

you don't meet all of the rules. But for now I'm going to kind of talk about how it is that you can

0:14:06.080,0:14:12.240

try to maximize the possibility of forgiveness. So to that end let's just dive right in.

0:14:13.040,0:14:18.640

I would say the biggest rule that you are going to need to--or a requirement to satisfy if you're

0:14:18.640,0:14:25.520

seeking forgiveness is that at least 60% of the loan money that you received needs to be either

0:14:25.520,0:14:32.000

spent on payroll costs if you are an employer with employees, or if you're self employed on,

0:14:32.000,0:14:36.960

as Megan, mentioned what SBA is calling owner compensation replacement. So that's going to

0:14:36.960,0:14:43.840

be based on your Schedule C or Schedule F when you applied for the PPP. So again, at least 60%

0:14:43.840,0:14:49.520

needs to be spent on that. You can spend more, but that's the minimum. And then the remaining kind of

0:14:49.520,0:14:55.520

up to 40% can be spent on a variety of other expenses that I'm going to go into a little

0:14:55.520,0:15:01.280

more detail on, but they include things like utilities, mortgage interest, rents, and some

0:15:01.280,0:15:07.040

other things. So the 60/40 rule is the one that I would definitely keep at the front of your mind.

0:15:07.040,0:15:13.040

And when we talk about that, that is based on what the program called a covered period.

0:15:13.040,0:15:18.320

So the way this works is that when you apply for forgiveness, each borrower has the option

0:15:18.320,0:15:24.640

to select the covered period that they want to use. And that's the period during which SBA is

0:15:24.640,0:15:30.080

going to look to see if you spent your 60% on payroll. And that period is anywhere between

0:15:30.080,0:15:36.480

eight weeks and 24 weeks after the date on which you received your loan funds. So right now,

0:15:36.480,0:15:41.600

you know, a borrower can decide. If you think you can get 60% of your loan and spend it on payroll

0:15:41.600,0:15:46.880

in eight weeks, you might decide you just want to use that 8 week covered period and apply for

0:15:46.880,0:15:52.240

forgiveness right away. For some people in various circumstances, you may decide that it makes sense

0:15:52.240,0:15:57.840

to spread out your covered period over, you know, a 24 week time frame. So just

0:15:57.840,0:16:02.800

keep that in mind when we talk about all
of these rules on what are forgivable uses,

0:16:03.360,0:16:07.840

they are all uses that you are incurring
or using during that covered period.

0:16:09.200,0:16:14.080

And I would also add, you know
for loans that are over \$50,000,

0:16:14.080,0:16:20.560

there are a variety of additional requirements.
And I think when I'm not going to go in too

0:16:20.560,0:16:24.640

deep on these, but I encourage you to ask
questions if some of you do have questions

0:16:24.640,0:16:29.360

on these other requirements. But when we think
about the purpose of this program being to help

0:16:29.920,0:16:35.440

businesses retain employees and stay open, you
know they've developed a variety of rules that

0:16:35.440,0:16:43.120

say, you know if you had to cut wages more than

25%, or if you ended up needing to reduce the

0:16:43.120,0:16:48.800

number of full time employees you have, and that reduction, you know, you reduced it by a lot,

0:16:48.800,0:16:54.960

they might--SBA might reduce the amount of forgiveness that you're eligible for. And again,

0:16:55.520,0:17:01.440

these rules only apply if your loan was for over \$50,000, but I do want to say that there

0:17:01.440,0:17:07.520

are a variety of exceptions to that rule that, I know Stephen and I have outlined. There's a

0:17:07.520,0:17:13.200

guide on FLAG's website that goes into these in detail. I think there's a variety of information

0:17:13.200,0:17:18.080

online and feel free to ask any of us if you have questions on them. But in general the

0:17:18.080,0:17:22.960

exceptions apply for things like if you know, an employee voluntarily resigned, you know,

0:17:22.960,0:17:29.280

and you weren't able to replace their position.
Or if you had to, sort of, reduce your workforce,

0:17:29.280,0:17:33.840

because you were complying with social distancing
requirements or other things that were happening

0:17:33.840,0:17:38.480

in COVID that you didn't have as much control
over. So, just know there are a little, you know,

0:17:38.480,0:17:43.200

there are a few more details on that, but there
are many exceptions to those rules as well.

0:17:44.720,0:17:52.240

Okay, so next, I want to talk a bit more about
the actual forgivable uses of your First and

0:17:52.240,0:17:58.480

Second Draw loans. So I mentioned earlier that
payroll costs are a big one, so again, if you have

0:17:58.480,0:18:06.480

employees, this can include a variety of benefits,
whether it's life, health, dental, eye care. So if

0:18:06.480,0:18:14.400

you're paying into group programs, you know that would count. And it also includes parental leave,

0:18:14.400,0:18:20.720

vacation, any sort of leave time. So that will be in addition to the regular compensation. That will

0:18:20.720,0:18:25.200

all be considered, you know, part of your payroll costs if you're an employer with employees.

0:18:25.760,0:18:30.000

If you are self-employed, again this is going to come from your wages, your commission,

0:18:30.000,0:18:35.360

or your other income that you've reported either on your Schedule C or Schedule F.

0:18:35.360,0:18:40.800

So that is that kind of bulk at least 60% of your loan has to be used on those costs.

0:18:40.800,0:18:46.320

And then we move on to these other variety of costs. And there's really seven categories of

0:18:46.320,0:18:51.920

other costs and ways that you can use your
PPP loan that can be forgiven. And a few

0:18:51.920,0:18:57.040

of these can kind of be clumped into, I'm just
calling them business expenses. So if you have

0:18:57.760,0:19:03.760

interest--if you're making interest payments
on a mortgage for a business space, that is a

0:19:04.880,0:19:11.200

forgivable use of your PPP money. Similarly,
if you're making any rent or lease payments

0:19:11.200,0:19:15.600

or any utility payments. So your
gas, water, electricity, internet,

0:19:15.600,0:19:21.920

all of those can be forgiven. The one caveat with
these sort of business expenses is that for them

0:19:21.920,0:19:28.080

to be forgiven, you needed to--that expense had
to have at least existed prior to February 15 of

0:19:28.080,0:19:33.920

2020. So, for example, you know, you're leasing

a space for your business, that lease must have

0:19:33.920,0:19:39.840

been in place before February 15. So if you, you know, got a new office space that you know those

0:19:39.840,0:19:44.880

lease payments wouldn't be able to be forgiven. So just that's something to keep in mind for those.

0:19:45.440,0:19:49.840

And then there's also a variety of other expenses that are a little newer to the

0:19:49.840,0:19:54.160

program. These were added, I believe in December. And these include what the

0:19:54.160,0:19:59.920

program is calling operations expenditures. So if you had to, you know, get a sort of

0:20:00.480,0:20:05.360

business software or any cloud computing service to help you with payroll or things like that,

0:20:05.360,0:20:08.560

that you can use your PPP loans on that and that can be forgiven.

0:20:09.760,0:20:15.360

Also, if you had any property damage costs, and the way the program is defining this, these are

0:20:16.080,0:20:21.360

damaged costs because of public disturbances that occurred in 2020 and for which, you know,

0:20:21.360,0:20:27.600

insurance didn't cover, you didn't receive any other funds to pay for. So operation expenditures,

0:20:27.600,0:20:33.520

property damage costs. Another forgivable use are what the program called supplier costs.

0:20:33.520,0:20:40.160

So if you have a contract or person purchase order for any sort of good from a supplier,

0:20:40.160,0:20:46.160

and that purchase order was in existence before the start of your covered period, so that

0:20:46.160,0:20:52.720

timeframe that you are selecting, then you can you can use PPP loan funds to pay for those goods.

0:20:53.440,0:20:58.720

And finally, what SBA calls worker protection expenditures, and this is sort of,

0:20:58.720,0:21:01.920

as the name suggests, but these are things like if you, you know,

0:21:02.560,0:21:07.840

had to if you have employees and needed to get a bunch of sneeze guards or other worker protection

0:21:08.640,0:21:13.840

items for your employees, that would be something you could spend PPP funds on. If you needed to,

0:21:13.840,0:21:17.840

I think for a lot of restaurants, for example, if you had to suddenly expand your outdoor space,

0:21:18.480,0:21:23.840

you could use PPP loan funds to do that. Or add a drive-through window or things like that.

0:21:23.840,0:21:29.840

So those all fall under this category of worker protection expenditures.

0:21:30.560,0:21:34.160

And, and then we'll talk a
little bit about this later,

0:21:34.160,0:21:40.160

but you know, if again if you use funds for
something that is not an allowed purpose, it

0:21:40.160,0:21:44.160

doesn't mean that you're not going to receive any
forgiveness, it just means that your forgiveness

0:21:44.160,0:21:48.640

is going to be reduced by that. So again, all
of the things you see on the screen right now

0:21:49.200,0:21:54.320

are all of the allowed uses of your PPP
loan whether a First Draw or a Second Draw.

0:21:55.280,0:22:00.560

Okay, so, then the next question
is, you know, how do you apply for

0:22:00.560,0:22:07.520

forgiveness. And the first thing to know is, when
should you apply. And the absolute deadline is

0:22:07.520,0:22:13.680

the maturity date of the loan. And for most people

unless you apply for a PPP loan in the very first

0:22:13.680,0:22:18.160

couple of months of the program, so in March
or April of last year, for most of you there's

0:22:18.160,0:22:23.840

going to be a five year maturity on the loan. I'm
guessing many people won't want to wait that long,

0:22:23.840,0:22:30.160

and I think there are a few reasons not to
wait. And the main reason is that if you apply

0:22:30.160,0:22:36.640

for forgiveness within 10 months after--and
this gets a little confusing, but 10 months

0:22:36.640,0:22:43.360

following the max of the 24 week covered period,
so this isn't 10 months following when you

0:22:43.360,0:22:48.640

personally select the covered period, so even if
you decide I'm using an eight week covered period,

0:22:49.360,0:22:56.640

if you apply within 10 months after the 24 weeks
after when you received your loan, then you can

0:22:56.640,0:23:03.120

receive forgiveness, without ever having to make any payments on the loan principal or interest.

0:23:03.120,0:23:08.880

And essentially what this means is that there is a 10 month deferral period. So in the first

0:23:08.880,0:23:13.600

10 months after you've received your loan and for those--all of you, presumably have received one,

0:23:13.600,0:23:17.680

you've probably noticed that you aren't required to make any payments. And so that is true

0:23:18.240,0:23:26.240

for those 10 months. And after that point, even if you decide to wait on applying for forgiveness,

0:23:26.240,0:23:30.960

your lender will probably send you a notice that says, you are required to start making

0:23:30.960,0:23:37.040

payments on your loan following that deferral period. And eventually those payments, you know,

0:23:37.040,0:23:42.320

can be forgiven but just know that kind of a sweet spot, I would say, is within that 10 months.

0:23:42.320,0:23:46.320

And that way you can avoid having to make any any sort of payment on the loan.

0:23:46.960,0:23:51.120

And then, as far as where you should apply. So everyone's going to apply

0:23:51.120,0:23:53.760

with the same lender who is servicing their loan,

0:23:54.800,0:23:59.920

but the one caveat is you can actually go ahead--I would talk to your lender--but

0:23:59.920,0:24:05.680

most of the kind of standard forgiveness application forms are available on SBA's

0:24:05.680,0:24:11.920

website. And as I'm going to talk about next, it is possible that your lender will have their own

0:24:11.920,0:24:16.640

version of a forgiveness application form, so

you should check with them first, but know that

0:24:16.640,0:24:23.840

you can easily access the forgiveness forms
online if your lender is using SBA's version.

0:24:24.800,0:24:31.040

So, I think next, I am just going to briefly
talk about what these forgiveness applications

0:24:31.600,0:24:35.760

look like, and what they entail. And so the
first thing to know is you're going to have

0:24:35.760,0:24:41.360

a few options when you decide that you want to
or you're ready to apply for forgiveness. And

0:24:41.360,0:24:47.040

the thing to know is-- so SBA, they have three
different loan applications that you can use,

0:24:47.040,0:24:51.920

and each of these corresponds to kind of
a different situation that you may be in.

0:24:51.920,0:24:59.040

So the standard loan forgiveness form is
Form 3508. And this is the longest and most

0:24:59.040,0:25:04.320

complicated forgiveness form. And the reason for that is, you know, you would use this form,

0:25:04.320,0:25:09.920

if you experienced a lot of changes in your covered period. So earlier when I was referencing,

0:25:09.920,0:25:14.560

you know, if you had to drop wages or if you had to reduce the number of employees you have,

0:25:14.560,0:25:19.120

if you just have a more complicated situation and things have changed during your covered

0:25:19.120,0:25:24.640

period chances are you're probably going to need to fill out the longer standard forgiveness form.

0:25:25.200,0:25:28.000

And then there's a slightly more simplified form. It's called

0:25:28.000,0:25:35.360

the 3508EZ, and this form is for people who received a PPP that is greater than

0:25:36.320,0:25:40.880

\$150,000. But you know if you're in a situation where you didn't have too many changes

0:25:40.880,0:25:47.280

in employee numbers or in salaries or wages. So you're over \$150,000 in your loan amount but

0:25:47.280,0:25:52.640

other than that you have a fairly kind of simple situation you would probably use the EZ form.

0:25:53.280,0:25:57.280

And then, finally, and I have a feeling this might be the situation for many of the folks

0:25:57.280,0:26:04.880

on the call, if you received the PPP loan that was for \$150,000 or less, there is a very simple

0:26:04.880,0:26:12.400

form it's the 3508S. And as we'll see in a minute this form requires the least amount in terms of

0:26:13.040,0:26:18.960

what you need to fill out, what you need to submit as documentation, and it's really relying

0:26:18.960,0:26:25.280

on a borrower certification. And similar to the EZ, it's for those of you who didn't experience

0:26:25.280,0:26:30.560

a lot of changes in salaries, wages or the number of employees that you have.

0:26:31.440,0:26:36.720

And to give you kind of just a sense of when we're talking about sort of the potential ease with

0:26:36.720,0:26:44.320

which you could apply for forgiveness, I think the next slide is going to show what that 3508S form

0:26:44.320,0:26:49.520

looks like, and I'm--it might be a little blurry, but I think it will make my point, nonetheless.

0:26:51.040,0:26:53.600

So Megan if we can hop to that next one.

0:26:56.480,0:27:02.400

Okay, so this, you know, the application is a few pages, this is really the main page that you are

0:27:02.400,0:27:08.480

signing and what I want to make clear on this is you don't have to fill in a lot of information

0:27:08.480,0:27:13.680

about what, you know, all of the details on what you spent on payroll and whether that was for

0:27:13.680,0:27:19.600

compensation or benefits or all the various ways you might have spent money on rent or utilities,

0:27:19.600,0:27:24.720

none of that is required. Simply what's required is a borrower certification. So it's

0:27:24.720,0:27:28.800

you agreeing to what is under this red arrow, you know, you read through you make sure it

0:27:28.800,0:27:33.280

applies to you and you sign your name. And so you know it means that you are honestly saying

0:27:33.280,0:27:38.640

everything that they have listed there that it's true. But this is a really easy form, and so,

0:27:38.640,0:27:44.240

if you have a situation where you had a loan of under \$150,000 you didn't have too many changes,

0:27:45.280,0:27:50.160

this form shouldn't take very long to fill out.

And you know, in a little bit Stephen's going

0:27:50.160,0:27:55.920

to talk about the documentation requirements

but it's important to know that for this form

0:27:55.920,0:28:00.560

you don't actually need to submit most documents,

but you do need to keep them. And I think that's

0:28:00.560,0:28:06.640

something we really want to emphasize is even if

you're not turning in documentation to support

0:28:06.640,0:28:11.520

payroll costs and other expenses, it is

really important that you keep those with you.

0:28:12.560,0:28:16.080

And I think this is one place where I will

give the slight caveat on the difference

0:28:16.080,0:28:22.160

between a First Draw and a Second Draw loan, and

that's going to be when we get to the next--next

0:28:22.160,0:28:27.760

slide which is on the EZ application,
so this is for loans of over \$150,000.

0:28:29.360,0:28:36.400

So, this one is a little more in depth
than the short version. So on this one,

0:28:36.400,0:28:40.960

you might need to spell out, as you can see,
what your different business expenses were,

0:28:40.960,0:28:47.520

what your payroll costs were, and you will
need to submit some supporting documentation,

0:28:47.520,0:28:54.240

including for those who have Second Draw loans,
you'll need to show a revenue reduction of 25%,

0:28:55.360,0:28:59.360

which should be familiar if those of you
applied, you probably remember that requirement.

0:28:59.360,0:29:06.560

So there will be some additional documentation
here, but again the form is not too complicated.

0:29:07.120,0:29:11.840

So I didn't-- I didn't put the standard form

on there, because it is a lot longer and

0:29:12.480,0:29:16.240

for most of you I'm guessing you
won't need to fill that form out, but

0:29:16.880,0:29:21.440

absolutely ask us if you have questions.
And also keep in mind that all of these

0:29:21.440,0:29:26.160

applications, and you know, no one likes to read
the fine print, but they do have really detailed

0:29:26.160,0:29:32.800

instructions that lay out a lot of the rules, so
if you are concerned, I recommend kind of looking

0:29:32.800,0:29:37.360

at the applications in full and that
probably will answer some questions.

0:29:38.000,0:29:43.360

So okay and let's assume you went
ahead, you have submitted your

0:29:43.360,0:29:46.960

loan forgiveness application to your
lender, and then the question is,

0:29:46.960,0:29:53.200

you know what happens from there. And the way the rules are written right now, your lender has up

0:29:53.200,0:29:59.440

to 60 days to reach a decision--decision on your forgiveness application. So they can decide to

0:30:01.360,0:30:05.600

decline it if they disagree with your numbers, they can accept it, but they

0:30:05.600,0:30:11.360

have 60 days to do that, and they need to give you a written notification of what they decide.

0:30:11.360,0:30:16.240

And when their decision, then the lender's decision, because this is a program that is

0:30:16.240,0:30:21.760

run ultimately through SBA but then independently through all these lenders, the next step is the

0:30:21.760,0:30:29.120

lender makes its decision and it then passes that decision on to SBA. And if SBA agrees or not they

0:30:29.120,0:30:35.520

have another 90 days to determine that and, at which point within that 90 days if they accept

0:30:35.520,0:30:40.240

the application, they will remit those funds to the lender and then the lender then passes

0:30:40.240,0:30:46.000

that money on to you. So it is a bit of a layered process, but that at least gives you a sense on

0:30:46.800,0:30:51.520

the timeline for that. And I don't know you know, I would be curious just as a side note, if any of

0:30:51.520,0:30:58.320

you have applied for forgiveness and received it, I am kind of curious if you know they're working

0:30:58.320,0:31:05.440

faster than these timelines or not. But, but those are the deadlines that the program has created.

0:31:05.440,0:31:07.120

So that's the basic process.

0:31:07.840,0:31:12.400

Once you apply and all the way up to

hopefully receiving that full forgiveness.

0:31:13.520,0:31:18.160

So the next question is really, you know, what happens if you don't apply

0:31:18.160,0:31:24.640

for forgiveness or let's say they decide that you don't qualify for full forgiveness.

0:31:25.280,0:31:32.320

So essentially what's going to happen if, for whatever reason you don't apply, your PPP loan

0:31:32.320,0:31:36.160

turns into a loan that you must repay with 1% interest.

0:31:36.160,0:31:39.840

And again, that maturity date for most people is going to be five years.

0:31:40.480,0:31:43.360

So you would have to pay back the loan, just like any other loan.

0:31:44.320,0:31:49.600

If you are in a situation where you have received maybe partial forgiveness, so maybe you couldn't

0:31:49.600,0:31:54.560

quite meet all those requirements of the
60% of your funds being spent on payroll,

0:31:55.200,0:32:02.800

then what happens is any unforgivable part of your
PPP loan that will turn into a regular loan that

0:32:02.800,0:32:09.600

you are required to pay with a 1% interest rate.
And again by that maturity date of five years.

0:32:10.480,0:32:17.600

So I--that's kind of the the bulk--in short,
this loan forgiveness process and again feel

0:32:17.600,0:32:23.600

free to ask specific questions if I didn't
mention something or you have kind of a

0:32:23.600,0:32:27.920

unique situation and you want to
get clarification on. But right now,

0:32:27.920,0:32:31.760

I think you know, one of the biggest things
that least we've heard where confusion

0:32:32.320,0:32:37.280

can lie relates to the documentation
and how you're supposed to substantiate

0:32:37.280,0:32:42.480

your forgiveness request, even if you don't have
to submit that documentation. So for that I'm

0:32:42.480,0:32:55.840

gonna pass it along to my colleague, Stephen
who is gonna kind of dive deeper into that.

0:32:58.240,0:32:59.680

Stephen, I think you're muted still.

0:32:59.680,0:33:05.440

Stephen Carpenter: I'm Stephen Carpenter, no
longer muted, at Farmers Legal Action Group. The

0:33:06.080,0:33:12.640

thing that I'm going to emphasize first is our
documentation questions. But before that I just

0:33:12.640,0:33:20.320

wanted to say quickly that Lindsay mentioned
that FLAG has written a farmer's guide to PPP,

0:33:20.960,0:33:28.240

and I put a link to that

in the chat and, as always,

0:33:28.240,0:33:35.040

it seems right to warn people that these guides are very long and detailed and dry as dust,

0:33:35.040,0:33:40.400

but they contain a lot of the information that you would need if you have specific questions.

0:33:41.200,0:33:45.520

If you go to that guide with a question and something still seems puzzling to you,

0:33:45.520,0:33:51.040

feel free to send us an email or if you already have the question and would just want to put it

0:33:51.040,0:33:56.320

in the chat, we're making sure here that we have plenty of time to talk about questions.

0:33:57.440,0:34:07.040

So one of the really important things for getting your loan actually forgiven is the documentation

0:34:07.040,0:34:13.680

question. What is it that you actually need to have to document what you say you did with that

0:34:13.680,0:34:21.920

money. And it's going to be somewhat uneven from farm to farm in two different ways. Fir--it's--

0:34:24.000,0:34:28.880

it's we're saying just from the very beginning, everybody needs to have their documents. For

0:34:28.880,0:34:34.800

the things that we're about to describe that really basically prove that you used

0:34:34.800,0:34:41.520

your--your loan money for the sort of purposes that the SBA had in mind in the beginning,

0:34:42.080,0:34:48.320

you're going to need to have documents. The difference is be-- from-- between farmers

0:34:48.320,0:34:53.360

is some people are going to have to send them in with their loan forgiveness application and

0:34:53.360,0:34:58.960

some people don't have to send it in if you use as you remember Lindsay referred to the

0:34:59.600,0:35:06.000

3508S application, that's the one
if you borrowed less than \$150,000,

0:35:06.880,0:35:12.000

you just have to certify that these things are
true, but you must keep those documents for

0:35:12.000,0:35:17.200

the longer term. We'll talk about how long in a
minute. And the second sort of big dividing line

0:35:17.200,0:35:23.840

in reality is going to be, are you somebody who
has quite a number of employees so you're going

0:35:23.840,0:35:30.320

to need to produce documentation on payroll,
or are you really essentially self-employed,

0:35:30.320,0:35:36.880

in which case, your Schedule F or your Schedule
C, along with some expense for some reporting

0:35:36.880,0:35:42.480

of expenses, like your farm mortgage or your
feed costs or whatever, that will be adequate.

0:35:42.480,0:35:48.080

So those are sort of the the the breaking
lines on the details, but, again,

0:35:48.080,0:35:52.720

I just want to emphasize we're going to talk
about here what you need for documentation,

0:35:52.720,0:35:58.080

there's much more detail in our guide,
but please just because you don't have to

0:35:58.080,0:36:04.320

send in the documents when you apply does not
mean you don't have to have them. And they can

0:36:04.880,0:36:08.720

and may come after you later to
say hey, where are your documents.

0:36:09.600,0:36:16.480

So, let's go to the specifics. Documentation
for payroll or self employment.

0:36:17.360,0:36:22.320

So again, the question here is whether you
have employees and number of employees,

0:36:22.320,0:36:26.480

that you have records for, or whether you're

essentially self employed as a farmer,

0:36:26.480,0:36:30.080

and there are record requirements for both of those but they're different.

0:36:30.080,0:36:36.080

If it's employees, you can easily imagine what they're going to want. Documentation,

0:36:36.080,0:36:41.520

bank statements, third party payroll services, things that show that you paid people

0:36:41.520,0:36:46.880

both payroll and if you pay benefits that you paid money into benefits. And so,

0:36:46.880,0:36:53.440

in the normal course, again unless you're in this 3508S where you borrowed less than \$150,000,

0:36:54.240,0:36:56.400

you're going to need to submit those with your application.

0:36:58.000,0:37:03.280

If you're just if you're mainly self employed, what you really need to do there is document

0:37:03.280,0:37:08.000

your self employment. And that's first
of all your Schedule C or Schedule F,

0:37:08.560,0:37:16.160

and any in real--in real life, I mean to me here,
what you want to be able to show if push comes to

0:37:16.160,0:37:22.160

shove, is that you're really farming. And so all
of those records that you use for your taxes,

0:37:22.160,0:37:27.360

for your own just sort of, keeping track
of what you're doing, those are all great

0:37:27.360,0:37:33.120

pieces of documentation to show that you were
really farming. That you were using money on-- in

0:37:33.120,0:37:38.080

ways that are permissible as stuff self-employed
farmer. You don't have to send them to them,

0:37:38.960,0:37:47.520

to the SBA at this point, but you really, really
want to have them and, yep so just keep them.

0:37:47.520,0:37:55.360

So, then you also have, so you have these payroll documents, and there are pretty strict rules here.

0:37:55.360,0:38:02.320

SBA wants you to-- if you're doing payroll documents for the main larger employers,

0:38:02.320,0:38:06.320

they want you to keep those records for six years, even if, after you've submitted them.

0:38:07.120,0:38:14.240

If you are the 3508S, the under \$150,000, you still need to keep those records for four years.

0:38:14.240,0:38:19.440

And really keep them longer than four years, I mean just just keep them. It's

0:38:19.440,0:38:24.000

really not a big burden, one little place on one file just--just keep those records.

0:38:25.200,0:38:30.400

As Lindsay described, you can also use this money for non-payroll purposes. And so there are going

0:38:30.400,0:38:35.600

to be documentation requirements for those
as well, and again they kind of make sense,

0:38:35.600,0:38:41.600

they're discussed more detail in our guide, but
if you have a mortgage interest with the farm, you

0:38:41.600,0:38:47.840

need to show that you got charged interest on your
mortgage. Similarly, if you have rental agreements

0:38:47.840,0:38:55.440

you can use the lease-- show the lease or that you
made these payments. Business utility payments,

0:38:55.440,0:39:03.840

the same. You are going to want to keep it within
the time period required for you to use that, so

0:39:03.840,0:39:08.800

one of the things that the documentation is needs
to do for all-- for this variety of things here

0:39:10.240,0:39:14.320

is show that it was an expense
for the period in question. So

0:39:14.320,0:39:19.120

you know your three year old utility bill

doesn't do it, you need to be able to show

0:39:19.120,0:39:24.240

that you were spending money on your business
on your farm in the period in question.

0:39:26.080,0:39:32.800

Similarly, like we said think we said utility
payments, operating expenditures, you have this

0:39:32.800,0:39:37.760

odd thing which might-- will apply for urban
farming, where, if your property was damaged

0:39:38.800,0:39:43.680

during the disturbances last year, you
know that that fits into the program.

0:39:43.680,0:39:47.520

And also a big one for farmers, of
course, is going to be supplier costs.

0:39:47.520,0:39:52.480

So if you have contracts, orders, purchase
orders, all these sorts of things that show

0:39:52.480,0:39:58.560

that you were spending money on your farm in
this period, you want to be able to keep that

0:39:58.560,0:40:04.480

and make sure that you have that documentation
and/or submitted if that's required of you.

0:40:09.040,0:40:16.480

Again, for these--these non-payroll types
of expenses, if you did the main 3508 form

0:40:16.480,0:40:21.520

or the EZ form you're going to have to submit this
stuff, and then you have to keep it for six years.

0:40:21.520,0:40:28.880

If you're in the under \$150,000 loan category,
3508S, then you just have to keep all this stuff

0:40:28.880,0:40:35.440

for three years minimum. And again, it sounds
weird but even though you don't have to turn

0:40:35.440,0:40:42.640

them in when you apply, you've got to keep these
records, and the rule states specifically at least

0:40:42.640,0:40:50.400

three years for these non-employment, under
\$150,000 applications for debt forgiveness.

0:40:50.960,0:40:57.600

So that, if you, so further requirements you'll remember especially if you look at our guide,

0:40:58.160,0:41:04.000

if you're a pretty big employer there's some kind of complicated rules regarding maintaining your

0:41:04.000,0:41:10.560

number of employees. There are these sort of complicated full time equivalent rules about

0:41:11.200,0:41:17.120

--about how many people you hire. You're going to need to produce those records to

0:41:17.120,0:41:24.880

prove all that level of detail as well. And those are discussed in detail in our guide.

0:41:24.880,0:41:30.320

Similarly, if you did 3508EZ application, there were some

0:41:30.320,0:41:35.360

kind of slightly different wrinkles for that one. Also find those in our guide.

0:41:36.000,0:41:43.280

One thing that's worth noting, is that
if you are doing a Second Draw loan,

0:41:44.720,0:41:50.240

there's a slight change in the rules that
Lindsay mentioned earlier, and that is that

0:41:50.240,0:41:59.040

you had to have an income or revenue reduction
due to COVID-19. And so, if you got a loan

0:41:59.040,0:42:05.120

and didn't--a Second Draw loan--and didn't yet
show that you had a revenue reduction, you are

0:42:05.120,0:42:09.520

going to have to do that when you apply for debt
forgiveness. A lot of people have done it already,

0:42:09.520,0:42:15.840

not everybody, and that's just a matter of showing
that essentially your farm revenue went down.

0:42:16.640,0:42:21.120

And again there--there's specific rules about
that you're--you're going to want to do.

0:42:22.160,0:42:25.040

Lindsay described the sort

of decision making process

0:42:25.920,0:42:30.720

where the lender has 60 days to decide whether you're eligible for debt forgiveness.

0:42:30.720,0:42:34.320

They can either--they can approve you for all, to forgive all the debt,

0:42:34.320,0:42:40.160

they can approve you to forgive part of the debt, and they can approve you, for no, no

0:42:40.160,0:42:46.240

debt. They can also sort of hold on for a while, if they if SBA is, themselves, looking at it.

0:42:46.960,0:42:52.800

What we want to talk about, however, is your right to appeal any of these decisions if you

0:42:53.520,0:42:56.640

disagree with them. And we're going to focus now on debt relief.

0:42:57.440,0:43:04.720

And if you are, you know, spend a lot of time working with USDA or other folks you,

0:43:04.720,0:43:10.240

you probably have an idea of what an appeal system might be. We're now talking about a

0:43:10.240,0:43:15.600

different universe. We're talking about Small Business Administration, historically doesn't

0:43:15.600,0:43:21.040

work with farmers, historically doesn't make millions of loans in a given year.

0:43:21.040,0:43:25.920

But they do have an appeal system, and it's frankly a little weird and a little restrictive,

0:43:25.920,0:43:30.160

so we're going to talk about it, but I want to think that I want to just sort of--basic

0:43:31.280,0:43:38.400

general point to get across is, this is not a very promising appeal system. And so, it's really

0:43:38.400,0:43:45.200

quite important to get your lender to make the right decision straight off, and if that means

0:43:46.480,0:43:51.120

providing additional documentation, sort of
talking them through what you're trying to do,

0:43:52.960,0:43:58.960

it does--I think that's well worth your time
because, after the lender makes a decision,

0:43:58.960,0:44:04.160

your chances to get things overturned, and
they aren't zero, but they aren't great,

0:44:04.160,0:44:06.640

and for reasons, you know
which we will now talk about.

0:44:07.520,0:44:14.880

So if the, as we know, the lender makes the first
decision, SBA approves it. So if the lender--

0:44:14.880,0:44:20.720

if the--- what are your, let's say that they deny
you in part or in whole of your debt forgiveness.

0:44:21.280,0:44:26.480

If they deny you in whole, that's-- let's just
say you had a \$100,000 loan, they say, none of

0:44:26.480,0:44:33.520

it is forgiven, the lender has to notify you,
has to tell you why, and inform you that you have

0:44:33.520,0:44:42.080

30 days to seek an SBA review. Those are super
important--a super important phrase, "SBA review."

0:44:42.960,0:44:50.160

And what you want to--what you want is SBA
to come in and look at all the documents. And

0:44:50.160,0:44:55.360

at FLAG, and also with Megan, we've gone
kind of round and round in circles on this,

0:44:55.360,0:45:02.880

and we kind of think that there's basically
nothing you can do that we've found to force

0:45:02.880,0:45:09.680

SBA to do one of these reviews. So it's really
quite an important point here, in a sense that,

0:45:10.320,0:45:19.280

the whole formal appeal system at SBA really
only--only involves reviews, only appeals of SBA

0:45:20.240,0:45:25.840

written decisions. And so, if you don't

get SBA to look at your lender's decision,

0:45:27.040,0:45:30.960

as we read it now, and it could change,
they're-- they're not set up to give you

0:45:31.600,0:45:38.000

any appeal rights to speak of. So,
that's sort of the first thing,

0:45:38.000,0:45:44.000

I mean if you're completely denied loan
forgiveness, you can seek SBA review.

0:45:44.560,0:45:50.800

And SBA, if they do it, will then have--they
come up with a decision, they may--they may

0:45:50.800,0:45:55.840

give you more debt forgiveness, or they may not,
in which case you can actually do a true appeal.

0:45:56.880,0:46:03.760

Now, if, however, you are only partially
denied for your bank, by your--by your lender

0:46:03.760,0:46:10.160

of the debt forgiveness, it looks to us
like you do not necessarily have the right

0:46:10.160,0:46:16.800

to ask SBA to review the decision, for an SBA review. Now I think if that happens,

0:46:16.800,0:46:22.160

you should just do it anyway. But again, the way the rules are written, it's not clear to

0:46:22.160,0:46:27.840

us that you have the right to seek a partial forgiveness--only partial forgiveness.

0:46:29.520,0:46:36.880

Further, SBA Rules say, and they really emphasize this, that--that SBA reviews are at SBA's

0:46:36.880,0:46:43.280

discretion. The most power you have here is to ask SBA to look at it, and we just don't know whether

0:46:43.280,0:46:51.440

they will or not. So, as I said before, it's not an appeal system to get super excited about.

0:46:53.040,0:46:59.440

And for that reason, I mean--I guess it stands right now, if you get denied and you want to do

0:46:59.440,0:47:05.280

an appeal and you think you have a decent shot at appeal, I encourage you to contact us. But I just

0:47:05.280,0:47:11.120

have to tell you, without going into too much detail, it's a kind of a tough appeals system

0:47:11.120,0:47:16.720

which actually functions a lot like a court. So there's certain appeal decisions,

0:47:17.680,0:47:26.960

a whole denial of your loan forgiveness, is one of them. And you can start the paperwork with SBA,

0:47:26.960,0:47:30.400

there are time limits and such are all discussed in our guide.

0:47:32.000,0:47:37.840

And you can appeal and, in certain instances it's only an official SBA decision, as I said,

0:47:37.840,0:47:43.840

and there's a strict timeline so you need to jump on it right away, you need to jump through their

0:47:43.840,0:47:51.200

hoops and file a petition. And in a few appeals,
it goes to an administrative law judge. The

0:47:51.200,0:47:56.960

administrative law judge takes all the records
you've submitted, it's sort of a paper review,

0:47:56.960,0:48:01.840

but it's going to feel a lot like going
to court, except it's all on paper.

0:48:03.360,0:48:08.880

These administrative law judges will eventually
make a decision. I mean, I have to think that

0:48:10.000,0:48:15.520

few people will--will take this route
and have a great deal of success with it.

0:48:17.200,0:48:21.840

But I could be wrong. And they may beef up
the whole system, they could change the rules,

0:48:21.840,0:48:27.200

but I really just don't want people to get super
excited about the possibility of an appeal.

0:48:28.240,0:48:34.800

The one thing that I wanted to add about this,

is it concerns this review as we just called it,

0:48:34.800,0:48:40.640

the SBA did. So, in some instances they're going to be people who were denied their debt relief,

0:48:40.640,0:48:46.480

they're going to seek an SBA review. They want SBA to look at what the lender decided.

0:48:47.200,0:48:59.280

But SBA has the right to review your PPP loan and your PP--uh, debt forgiveness at its discretion.

0:48:59.280,0:49:04.240

And they have a lot of power here; they can review basically everything.

0:49:04.880,0:49:11.760

And if you signed up for this, you took the money, you cannot say go jump in a lake. You

0:49:11.760,0:49:20.000

have to respond to this. And, you know, and so far as we know where you haven't heard of anybody

0:49:20.880,0:49:28.240

big denials of loan forgiveness, we haven't heard about SBA jumping in to do reviews. But

0:49:28.240,0:49:33.120

that doesn't mean it won't happen and we'll--we'll circle back to this in a few minutes when we talk

0:49:33.120,0:49:40.800

about some of the things that have been in the newspaper, but, uh, in general, just remember that

0:49:40.800,0:49:46.480

things like these documents that you're supposed to keep, if you get asked for them by SBA you need

0:49:46.480,0:49:51.120

to come up with them. And I'm not saying that's likely, but you just need to be able to do it.

0:49:52.640,0:49:57.840

So let's talk--let's move on and talk just for a minute about discrimination issues.

0:50:00.320,0:50:07.760

We've often kind of assumed all of us and the society as a whole that every farmer is

0:50:07.760,0:50:14.560

a white man. We know that that's not true, and we, we know more about that as time goes on.

0:50:14.560,0:50:22.080

And in agriculture we've had a lot of problems with discrimination, especially in lending. It's

0:50:23.120,0:50:27.920

important to note that that kind of discrimination is not just wrong it's also illegal.

0:50:28.880,0:50:35.040

The people that wrote up the PPP program didn't seem to think very, very much detail

0:50:35.040,0:50:40.720

about these sort of problems. But under the Equal Credit Opportunity Act

0:50:41.680,0:50:50.320

it is illegal to discriminate against people in any aspect of a credit transaction.

0:50:50.320,0:50:56.240

And so, because PPP is new there's been no court rulings or no litigation

0:50:56.240,0:51:03.040

to say for sure that PPP falls under the equal credit opportunity act, but my sense is that it

0:51:03.600,0:51:11.360

absolutely almost certainly must. So if you feel like based on your gender your race, ethnicity,

0:51:12.880,0:51:20.160

you know, a fairly strong list of discrimination basis, if you feel like, you've been discriminated

0:51:20.160,0:51:26.080

against feel free to send us an email or call us. And I just want to say that it's

0:51:26.080,0:51:31.040

illegal and Equal Credit Opportunity Act is a pretty good statute for asserting those rights.

0:51:31.760,0:51:38.160

The final thing I want to talk about before we go to questions is the question of fraud. And I kind

0:51:38.160,0:51:43.600

of don't want to freak people out here, but this is something that we just need to address briefly.

0:51:43.600,0:51:48.640

You may have seen in the newspaper or online--there's some journalism out there,

0:51:48.640,0:51:57.600

that was investigating fraud in PPP programs. And

it's a little discouraging that what they found

0:51:57.600,0:52:04.160

was that they think that there have been
a significant amount of fraud in PPP.

0:52:04.160,0:52:07.920

And most--most unnerving is
one of the examples they found,

0:52:08.480,0:52:15.520

a lot of them are about agriculture and including
claims that came out of Minnesota for bizarrely

0:52:15.520,0:52:23.760

enough fruit production, and things like that. So
basically, I think what we can take from this is

0:52:23.760,0:52:30.800

that the authorities are--are certainly read
that too, the SBA people, the Treasury people,

0:52:32.080,0:52:39.680

are likely to have an increased interest in
the possibility of fraud with PPP. In the main,

0:52:39.680,0:52:46.480

it seems like what happens is these online lenders
took applications from people who weren't actually

0:52:46.480,0:52:52.400

even farmers, but they filled out all the paperwork they got their loans and off they go.

0:52:54.000,0:53:01.840

And so, if you did your thing the best you could and you did it in good faith, I'm not going to say

0:53:01.840,0:53:07.680

nothing could go wrong, but you're not in the same category as people as are being discussed

0:53:09.120,0:53:13.840

in this journalism. We're talking about people that just absolutely scammed the whole system.

0:53:14.720,0:53:18.800

So, you know, you're responsible for your application, but if you made

0:53:18.800,0:53:21.600

mistakes in good faith you're not in this kind of a trouble.

0:53:22.480,0:53:28.240

And this applies also when we start thinking about the appeal system, the fact that really

0:53:28.240,0:53:34.160

it's the lender who's going to decide whether your debt is forgiven or not. You just got to remember

0:53:34.160,0:53:44.800

that SBA is not a tiny organization, but they've not--they're not used to lending out 12 million

0:53:45.520,0:53:53.360

loans in the year and a half or two years. You know it's 5,500 lenders and supervised by SBA.

0:53:53.360,0:54:01.200

They lent out \$800 billion. So it's kind of unimaginable that there--could

0:54:01.200,0:54:07.920

that they could be in any way prepared for a big appeal system or really anything. So,

0:54:08.880,0:54:14.240

I gotta kind of think that we're gonna have to live and die with what these lenders do,

0:54:14.240,0:54:19.440

because there's no capacity anywhere for a thorough review of all this stuff.

0:54:20.800,0:54:24.160

That's just my take. I mean I
could easily be proven wrong.

0:54:24.800,0:54:29.520

But I, so what I want to emphasize
when it comes to this whole question of

0:54:29.520,0:54:34.720

what happens if there are disagreements on
your --your debt forgiveness, the strength

0:54:34.720,0:54:40.800

of power here is with the lenders, therefore
it's with your relationship with the lender.

0:54:41.440,0:54:45.920

Producing documents, being convincing that
what you did with this loan was legitimate.

0:54:46.560,0:54:53.840

And once the lender signs off and you're acting in
good faith you're probably in very good shape. If

0:54:53.840,0:55:00.320

the lender is being really nasty, you could have
significant problems getting the debt forgiven.

0:55:01.520,0:55:07.360

With that, what did I miss? Megan and

Lindsay? Anything, or do we go to questions?

0:55:07.360,0:55:09.440

Lindsay Kuehn--FLAG (she/her):

0:55:09.440,0:55:12.800

We might be ready for questions, or
I didn't notice anything omitted.

0:55:12.800,0:55:18.880

Jane G Jewett: Okay, so there have
been questions coming in the chat

0:55:18.880,0:55:24.480

and, uh, Theresa did you want to say
something before I launch into those?

0:55:24.480,0:55:28.880

Theresa Keaveny: Just keep the questions
coming. Keep putting them into the chat

0:55:28.880,0:55:33.840

as we're going through the ones that
have already been placed there. Thanks.

0:55:33.840,0:55:34.880

Jane G Jewett: Okay.

0:55:37.600,0:55:43.840

So one question that came in by email actually instead of chat, was who actually reviews

0:55:43.840,0:55:49.280

applications for loan forgiveness and what is the process involved. And I think that

0:55:49.280,0:55:54.720

was covered and Stephen really emphasized it, but this is an opportunity to say it again.

0:55:54.720,0:56:00.960

Lindsay Kuehn--FLAG (she/her): Well, I will just say the initial review is always going to be your

0:56:00.960,0:56:06.640

lender. So they're the ones who give the initial OK, or the initial denial or partial denial.

0:56:06.640,0:56:12.480

And they will submit that to SBA, and then SBA signs off or not. So

0:56:12.480,0:56:17.920

it's kind of a two layered process, but the initial approval or denial is your lender.

0:56:17.920,0:56:25.040

Jane G Jewett: Thank you. And then Lindsay, I

had a question on the part that you presented

0:56:25.600,0:56:33.440

of the process of getting approved for forgiveness
and then the money flows. So it sounded like you

0:56:33.440,0:56:40.320

were saying that the--the borrower has to get
approved for forgiveness and then the lender,

0:56:41.120,0:56:47.200

um, submits that. The lender gets the money and
pays it to the borrower so, then the borrower

0:56:47.200,0:56:52.640

has to then turn around and pay that back to
the lender to settle the loan... is that...?

0:56:52.640,0:56:57.840

Lindsay Kuehn--FLAG (she/her): No, so
what, um, well-- so that would happen,

0:56:58.560,0:57:03.520

I guess, your, thank you for that clarifying
question. So let's say you apply for forgiveness

0:57:03.520,0:57:07.440

in that 10 month period where it's kind of the
deferral so you haven't made any payments on

0:57:07.440,0:57:12.720

the loan. So if you get your loan, you apply for forgiveness right away, and you actually

0:57:13.280,0:57:19.680

receive full forgiveness. Um, then there's just no, you know, since you haven't paid anything

0:57:20.480,0:57:24.640

there's no money that's going to change hands. What happens is let's say you apply for

0:57:24.640,0:57:31.040

forgiveness a year and a half later, and you've already started making payments on your loan,

0:57:31.040,0:57:36.480

because remember after that 10 month period, you have to start making payments on the PPP loan.

0:57:36.480,0:57:42.560

So if that's the case, and then you apply, and you are eligible for full forgiveness, then you will

0:57:42.560,0:57:49.840

receive you will receive money back for what you already paid. Does that make more sense?

0:57:50.480,0:57:51.920

And anyone else feel free to jump in.

0:57:51.920,0:57:52.452

Jane G Jewett: Yes, it does.

0:57:52.452,0:57:54.160

Lindsay Kuehn--FLAG (she/her):

Okay, thank you for asking that.

0:57:54.160,0:58:03.360

Jane G Jewett: Okay, here's a question about the supplier contracts. So

0:58:04.160,0:58:11.040

supplier higher cost expenses: did the order or invoice need to exist before February 15?

0:58:11.920,0:58:16.640

Or does it count if it's a regular business relationship

0:58:16.640,0:58:23.920

and ongoing need for those supplies. For example, we needed to buy bottles to continue our operation

0:58:24.720,0:58:31.280

from an established relationship, but those bottles were not ordered before February 15, 2020.

0:58:31.280,0:58:35.440

Lindsay Kuehn--FLAG (she/her): Okay, so and I've noticed, there are so many dates in this,

0:58:35.440,0:58:42.160

and so I apologize, it can get really confusing. So with supplier costs specifically,

0:58:42.160,0:58:48.160

the way the rules are written on that, no you didn't need to have a contract in place before

0:58:48.160,0:58:56.800

February 15 of 2020. However, the way the rule is written you needed either a contract, a purchase

0:58:56.800,0:59:02.880

order, or some sort of order that was in place at any time before the start of your covered period.

0:59:02.880,0:59:08.027

So, remember that covered period begins on the day that you receive your loan funds--that they

0:59:08.027,0:59:15.040

are dispersed to you. So if you had some sort of agreement or contract to purchase bottles that

0:59:15.040,0:59:20.080

was sort of ongoing, let's say, and that existed before the day that you received your loan funds

0:59:20.720,0:59:27.200

that would qualify. The only exception to that is, let's say you have to buy feed, or you,

0:59:27.200,0:59:29.920

you have some sort of good that you purchase that's perishable.

0:59:30.480,0:59:37.360

The rules allow--allow that contract to happen anytime during your covered period.

0:59:37.360,0:59:41.920

So again, if it's a non perishable good, you need a purchase order or some sort of agreement

0:59:41.920,0:59:46.480

before the start of your covered period, so before the date of your loan disbursement,

0:59:46.480,0:59:49.920

and for any sort of perishable good, you can use

0:59:49.920,0:59:53.680

a contract purchase order that

occurs during your covered period.

0:59:53.680,0:59:58.320

Megan Roberts:

0:59:58.320,1:00:03.440

I'm going to follow up, and it's not specific to that question, but I just want to mention

1:00:03.440,1:00:09.840

when we're thinking about how confusing all of the forgivable and allowable expenses are,

1:00:09.840,1:00:14.160

I think this touches a little bit on a question that's coming up in our queue.

1:00:15.440,1:00:22.640

Keep it as simple as possible might be the best for both you and your lenders. So if you know,

1:00:22.640,1:00:31.200

I have owners compensation and just owners compensation recruitment will cover my entire PPP

1:00:32.160,1:00:36.640

loan, and I know I can get forgiveness through that, you can choose to just

1:00:36.640,1:00:41.440

pick out that as the expense that you're applying for forgiveness under. That's going to make your

1:00:41.440,1:00:47.760

documentation easier and it's going to make it less likely that you encounter one of, you know,

1:00:48.640,1:00:54.960

asking for more information from your lender. So keeping it simple might be--if it works for you,

1:00:54.960,1:01:00.720

the best option in receiving your forgiveness here. You don't need to find documentation

1:01:00.720,1:01:04.480

for all of these different expenses if you're not applying for forgiveness on it.

1:01:04.480,1:01:13.120

Jane G Jewett: Okay, thanks Megan, and I think that,um, that is something that's been

1:01:13.120,1:01:17.840

really confusing to a lot of people, and I see there's a question that just popped up in chat

1:01:18.480,1:01:28.720

so, I think I'll go to that one, because it is confusing and there are all of these tiers of

1:01:28.720,1:01:35.280

whether you applied for less than 150,000 or more, and had employees or not. So if we think about the

1:01:35.280,1:01:43.120

situation where someone is a sole proprietor and they're getting a PPP loan for less than 150,000,

1:01:44.080,1:01:49.200

they don't have employees, what does owners compensation mean?

1:01:49.200,1:01:57.280

Megan Roberts: You could calculate your owners compensation by using your, really the same

1:01:57.280,1:02:05.840

information that you submitted for your initial application, as some of that retain documentation

1:02:06.560,1:02:17.440

for your forgiveness. So if you had, let's say \$100,000 exactly of gross farm

1:02:17.440,1:02:28.800

income in either 2019 or 2020, and you submitted

it via your Schedule F, the equivalent of that

1:02:30.640,1:02:36.960

gross income would be your owner's
compensation. Let's say you choose

1:02:36.960,1:02:43.200

a covered period that is exactly the number of
weeks of two and a half months, you would then

1:02:44.160,1:02:52.160

have \$20,833 worth of owner's compensation.
That's what exactly what two and a half months

1:02:52.160,1:02:57.920

are. You've turned around and say I am asking
for forgiveness on this owner's compensation,

1:02:58.640,1:03:06.480

and it is equivalent of a covered
period. That's about 10 weeks or so,

1:03:07.200,1:03:13.920

and I want full forgiveness for this. That
might be as easy of a forgiveness application

1:03:13.920,1:03:22.080

as is possible, no employees, and the most amount
in terms of a documentation that you may want to

1:03:22.080,1:03:30.080

make, we have seen some recommendations of doing a check to oneself, or showing that it's transferred

1:03:30.080,1:03:35.680

to another account--some lenders are requiring that. But you do not need to prove that you have

1:03:35.680,1:03:41.360

these other expenses, if you can make it all through your owners compensation recruitment.

1:03:41.360,1:03:45.760

And it's simply utilizing your past tax forms as that documentation.

1:03:46.320,1:03:56.160

Lindsay or Stephen, I would encourage you to pop in if you feel you can make that simpler, easier,

1:03:57.680,1:03:59.680

better description than what I just made.

1:03:59.680,1:04:05.760

Lindsay Kuehn--FLAG (she/her): I don't think I can necessarily make it any better, simpler, but I--I

1:04:05.760,1:04:09.360

did just want to say, I think one way
conceptually--the challenge is for those

1:04:09.360,1:04:13.920

of you who are self employed is right, if this
whole program was initially designed around

1:04:13.920,1:04:18.960

how to keep--how do people keep their employees.
It gets a little more complicated when we're

1:04:18.960,1:04:24.960

thinking about when you're self-employed, and
so the way the program has decided to determine

1:04:24.960,1:04:32.400

what you pay yourself is just saying we're going
to cap it at two and a half months worth of your

1:04:33.520,1:04:39.040

owner compensation, and to do that we're looking
at your Schedule C or Schedule F. Your, and for

1:04:39.040,1:04:44.000

Schedule F it's your gross income. So it's--
it's-- it's a cap, no matter what you can't get

1:04:44.000,1:04:51.680

more than two and a half months worth of what was,

um, what would be equal to your Schedule F gross

1:04:51.680,1:04:58.000

income for your farm. And I don't actually know if that helped, but it does get complicated and again

1:04:58.000,1:05:02.560

if you still have questions just email any of us, and we can kind of walk through it in more detail.

1:05:02.560,1:05:05.760

Megan Roberts: And that two and a half month cap

1:05:05.760,1:05:10.080

was how the initial loan was and determined so theoretically,

1:05:10.080,1:05:14.960

you can just apply for forgiveness on that owners compensation and not use any of these

1:05:14.960,1:05:21.840

other expenses, if that is the way you choose to move forward. And you have no other employees.

1:05:21.840,1:05:23.760

Jane G Jewett: Okay.

1:05:24.560,1:05:29.520

Stephen Carpenter: Just if-- I could I just
one thing, although the wording of all this

1:05:29.520,1:05:35.840

stuff is very strange, to the extent you
got the loan from that lender to begin with,

1:05:37.040,1:05:41.760

using owner compensation from
your schedule F, it should be

1:05:43.760,1:05:49.200

relatively easy to get them to say, Okay, this
also essentially gets you through the door for

1:05:49.200,1:05:52.000

forgiveness. I mean they really
should be kind of the same thing.

1:05:56.000,1:05:58.560

Jane G Jewett: Alright, so the follow
up question in the chat is that

1:05:59.520,1:06:05.680

I understand what the owner's compensation
amount is, as that's what the loan was for.

1:06:05.680,1:06:11.280

I'm wondering how to prove owner draw,

like is a check to yourself necessary?

1:06:11.280,1:06:19.200

Megan Roberts: Yeah, so that was what I mentioned just so briefly in passing. There has been some

1:06:19.200,1:06:25.840

question about whether that check yourself is required. If you or your lender is recommending

1:06:25.840,1:06:32.080

that you do that, or if you feel that helps provide that documentation. Yes, doing a check to

1:06:32.080,1:06:38.800

yourself or making sure, particularly if you have like a business entity and a personal account,

1:06:38.800,1:06:43.680

then really making sure you have a check that's showing you're moving from your business to your

1:06:43.680,1:06:50.160

personal. There is nothing to say then that you can't personally refund your business.

1:06:51.840,1:06:56.480

Because that is something that happens in self employment. But yes, a check to yourself could

1:06:56.480,1:07:03.520

be a good idea to just dot those i's, cross those t's, in the fact that you have paid yourself.

1:07:04.680,1:07:09.680

Stephen Carpenter: If you don't have a separate entity, it should--there's no way that's

1:07:09.680,1:07:15.440

disqualifying. I mean, again, people, you know, the sort of the phrasing of all this is so weird

1:07:16.080,1:07:21.680

but, you know a lot of people don't even have you know separate farm checking accounts. You know,

1:07:21.680,1:07:26.640

and the program was still designed so that you should be able to get through it. So,

1:07:28.320,1:07:31.360

yeah, if you have a separate entity writing a check is great.

1:07:31.360,1:07:36.800

I can't picture them making it a requirement, or if they do that that would seem reasonable to me

1:07:36.800,1:07:41.920

that's kind of why I would say too, if
you can--you know, you're selling things

1:07:41.920,1:07:48.480

you're--you have a gross farm income to sort
of show that you were farming. It would seem

1:07:48.480,1:07:54.880

to me like it would be, it should be hard for
them to deny, even without sort of an actual

1:07:54.880,1:08:01.520

transfer of funds. That would be my thought.
But we're in a--we're in a fuzzy area for sure.

1:08:01.520,1:08:07.600

Jane G Jewett: Okay, so this question
might make it a little more fuzzy,

1:08:07.600,1:08:15.680

and might help clarify when that check to yourself
might be needed. So someone asked, I was initially

1:08:15.680,1:08:23.840

told as a sole proprietorship that expenses
could include household expenses. Is that true?

1:08:23.840,1:08:28.080

Lindsay Kuehn--FLAG (she/her): My understanding,
and Megan and Stephen please chime in

1:08:28.080,1:08:33.360

if you know otherwise, is that no. So again, I
think the answer to this question, if you can't

1:08:33.360,1:08:38.480

just use your owner compensation to get the full
forgiveness that you're seeking, and if you do

1:08:38.480,1:08:45.600

need to go into the realm of kind of evidencing
lease payments, or--and maybe you have a home

1:08:45.600,1:08:52.560

office, right? The rules do specifically say you
have to, um, and it gets tricky right, how you

1:08:52.560,1:08:59.520

document this, but you have to exclude--you know
if you have a rent property, they I mean they go

1:08:59.520,1:09:05.600

down to saying the fair market value of the room
in your house. Like that portion of your rent or

1:09:05.600,1:09:12.880

lease payment is the only part that's forgivable.

So to Megan's point, it is going to be much

1:09:12.880,1:09:18.240

simpler if you're self employed and just relying on that to seek forgiveness, just based on that,

1:09:18.240,1:09:25.280

but do know it is possible if you have you know, a more complicated situation. But in general the

1:09:25.280,1:09:32.160

rules don't let you get forgiveness for anything that is not a business expense. And you will have

1:09:32.160,1:09:36.800

to-- and that's where talking with your lender to find out OK, what do you need from me to show

1:09:36.800,1:09:43.120

that this portion of my lease or my rent was for my work office, and not you know my home. So I

1:09:43.120,1:09:46.720

think communicating with your lender is probably the best thing that you can do, since they are the

1:09:46.720,1:09:52.800

ones deciding, but no household expenses, at least in my reading of the rules, are not forgivable.

1:09:52.800,1:09:55.204

Theresa Keaveny: Just to remind you.

1:09:55.204,1:09:56.960

Megan Roberts: I agree, I will--.

1:09:56.960,1:10:01.840

Theresa Keaveny: Sorry, we
have three minutes left.

1:10:01.840,1:10:06.160

Megan Roberts: I will just add one
thing which may make it fuzzier,

1:10:06.160,1:10:09.920

when you think about owner's compensation, I've
heard this from farmers that I've talked to,

1:10:10.800,1:10:16.960

once it becomes your owner's compensation,
then what you do with that money might include

1:10:16.960,1:10:22.080

that you have spent it on household expenses, or
whatever it might be, but you've removed it and

1:10:22.080,1:10:26.640

it's-- and it's become your owner's compensation,

like your salary, at that point. So we've had

1:10:26.640,1:10:31.440

that question from farmers in the past, I think that's where maybe there's some confusion that

1:10:32.160,1:10:37.040

you know how it's used. But getting it into your account as your owners compensation,

1:10:38.080,1:10:43.840

then what you do with it from that point on becomes more liberal.

1:10:43.840,1:10:51.600

Jane G Jewett: Thank you. Okay, so there are still several questions that are not

1:10:51.600,1:10:57.440

repeats of previous questions, and if the presenters are willing to stay on longer I'm

1:10:57.440,1:11:03.600

willing to stay on longer and keep this going to get them answered and get it in the recording. So,

1:11:06.800,1:11:10.880

I'll just-- I'll just keep going until we get these things answered.

1:11:10.880,1:11:16.400

So, since we're on this sole proprietorship thing,

1:11:16.960,1:11:24.000

I'll stay on that track for a minute. If applying for forgiveness using 100% owners compensation,

1:11:24.640,1:11:30.560

would you wait to apply for forgiveness until 2021 taxes are filed? Or would they

1:11:30.560,1:11:39.840

look at Schedule F for 2020? I applied for PPP and received the loan in March of 2021.

1:11:41.240,1:11:46.160

Lindsay Kuehn--FLAG (she/her): Megan, I can give a go and then yeah jump in, as always.

1:11:46.160,1:11:51.840

So the way my understanding of the rules is that no, they're never really going to look to 2021.

1:11:51.840,1:11:57.760

And so with owner compensation replacement specifically, they are going to base your

1:11:57.760,1:12:05.040

forgiveness, capping it at two and a half times
what you put on your Schedule F or Schedule C.

1:12:05.040,1:12:09.760

So either remember when you applied, you selected
to use either--depending when you applied,

1:12:09.760,1:12:15.280

either your 2019 taxes or your 2020 taxes, and
my understanding is, it would be the same-- it's

1:12:15.280,1:12:20.480

likely the same tax form that they will use
to determine your maximum forgiveness amount.

1:12:20.480,1:12:25.520

Which is why we're saying that, in theory, it
should be very simple if you are a self-employed

1:12:25.520,1:12:31.120

person with no employees, because they're
basing the forgiveness on the same document

1:12:31.120,1:12:36.960

that they were basing your loan amount in the
first place. Megan, does that sound right to you?

1:12:36.960,1:12:42.240

Megan Roberts: Yep I agree. So your--your

key in terms of a date is going to be,

1:12:42.800,1:12:47.600

have you passed through your full covered period that would get you

1:12:47.600,1:12:52.160

to a full forgiveness amount. Which, if you're using simply owner's compensation,

1:12:52.160,1:12:58.240

you have to go beyond the eight weeks, it's 10 weeks and some change. So make sure you've

1:12:58.240,1:13:03.840

waited at least that long and then you should be sufficient to move forward.

1:13:03.840,1:13:08.320

Jane G Jewett:

1:13:08.320,1:13:14.960

All right, and then there is a question about the form. If you're a--if you're an owner,

1:13:14.960,1:13:24.080

with no employees. So on 3508S, that short form, it asks for number of employees. So if you have no

1:13:24.080,1:13:31.360

employees, just self-employed farmer and family members, is that a one or a zero to enter there,

1:13:31.360,1:13:36.400

and then would you put down zero dollars spent on payroll costs on that form?

1:13:36.400,1:13:41.200

Lindsay Kuehn--FLAG (she/her):

1:13:41.200,1:13:41.920

Okay, I can--

1:13:41.920,1:13:44.480

Megan Roberts: Lindsay, do you want to one-two this again?

1:13:44.480,1:13:49.360

Lindsay Kuehn--FLAG (she/her): I, yes, though, you know, I will say when I saw that question,

1:13:49.360,1:13:54.480

and so I reread the form and even though I touted how these application forms are

1:13:54.480,1:13:59.600

really useful because of their fine print, they don't specify that. So, my

1:13:59.600,1:14:04.960

recommendation, and my hunch is that it could be different between lender to lender

1:14:04.960,1:14:09.520

what they will want. So, I think the easiest, especially if you have any sort of relationship

1:14:09.520,1:14:15.120

where it's fairly easy to communicate with your lender, I would just ask them and say, hey

1:14:15.120,1:14:21.760

I am self employed, do you want me to mark, you know one on this for employees, and you know how

1:14:21.760,1:14:26.880

do you want me to handle each of those boxes? Because I don't think the rules, at least for

1:14:26.880,1:14:33.200

the application itself, are extremely clear on that, and so I could see lenders kind of having

1:14:33.200,1:14:39.120

different thoughts on it as well. So I think the safest bet is just talk to your specific lender,

1:14:39.120,1:14:44.320

or maybe write a note when you're putting the application in, but that would be my suggestion.

1:14:46.720,1:14:51.600

Megan Roberts: I'm in agreement with Lindsay on that. I will say when that question came in,

1:14:51.600,1:14:58.480

I went back to my inbox and I had a communication with Minnesota SBA on this issue way back in June

1:14:58.480,1:15:05.280

of last year, almost exactly a year ago. And they--they said it was a little bit unclear.

1:15:05.280,1:15:09.840

They were leaning towards putting a zero if you were self employed, but here is something that

1:15:10.480,1:15:16.080

I think really gets to Lindsay's point. You put that number in on your application to your lender,

1:15:16.080,1:15:20.000

so communicate with your lender and make sure that you're just matching it up with the way

1:15:20.000,1:15:26.640

that they want it, and what you have matched on your initial application. I think zero or one,

1:15:27.200,1:15:32.160

there's been some discrepancy over the months of PPP.

1:15:32.720,1:15:38.080

The second part of that question, you did not likely want to put zero for payroll because

1:15:38.080,1:15:44.800

remember that payroll includes your owner's compensation. So SBA defines owner's compensation

1:15:44.800,1:15:50.160

as a type of payroll. So you're actually going to be putting your owner's compensation equivalent

1:15:50.160,1:15:57.680

into that line as payroll. Don't put zero there; you're likely to not receive forgiveness.

1:15:57.680,1:16:03.520

Jane G Jewett: Okay, that is very key, important points, so thank you Megan.

1:16:05.200,1:16:09.040

There are a couple of questions

that relate to figuring out

1:16:09.040,1:16:16.720

when you start your covered period. So if the
PP loan--PPP loan was disbursed on March 1,

1:16:16.720,1:16:23.200

2021, is that also the date when you
start counting the expenses for which

1:16:23.200,1:16:31.120

that PPP loan is paying? Or do the expenses
start February 15, 2020, or something else?

1:16:31.120,1:16:37.520

Megan Roberts: Your covered period begins
the date of loan disbursement. So March 1,

1:16:37.520,1:16:43.680

2021 in this case, would be your first day of your
coverage period. If you are using expenses, you

1:16:43.680,1:16:51.840

need them to be incurred or--and/or paid during
that month. So you start on the disbursement date,

1:16:51.840,1:17:00.560

and you would go 8 up to 24 weeks. The expenses
with that February, 15 2020 date, Lindsay can

1:17:00.560,1:17:06.880

chime in here, that is about having that established relationship. So that is where

1:17:06.880,1:17:13.120

that February 15th date comes in. I'll hand it to Lindsay or Stephen there if they have more to add.

1:17:13.120,1:17:18.240

Lindsay Kuehn--FLAG (she/her): No, I think that's exactly right. And--and the--the February 15, 2020

1:17:18.240,1:17:23.760

for that established relationship, that's just for things like your lease, or your utility payments,

1:17:23.760,1:17:28.880

or a mortgage interest. So again, if you bought a new building earlier this year,

1:17:28.880,1:17:32.560

and are making lease payments those wouldn't count, because you didn't--

1:17:32.560,1:17:38.640

that lease wasn't in existence before February 15th. But those are the only three categories,

1:17:38.640,1:17:42.960

the rent and lease payments, mortgage
interest payments, and utility payments,

1:17:42.960,1:17:48.640

where you needed to have that kind of established
relationship prior to that February 2020 date.

1:17:48.640,1:17:53.680

Jane G Jewett:

1:17:53.680,1:18:01.840

All right, there's a question here that I think
the person who asked it may qualify as the sole

1:18:01.840,1:18:09.120

proprietor, and so it wouldn't be relevant, but
in case--in case someone is going to be claiming

1:18:09.760,1:18:17.440

expenses, here's the question. So, I had much
more total expenses in the covered loan period,

1:18:18.000,1:18:24.240

than were covered by the PPP funds. When
documenting and calculating those minimums

1:18:24.240,1:18:32.000

and maximums, can I cherry pick to reach that

ratio, or do I have to use my full total expense,

1:18:32.000,1:18:39.840

which may or may not meet that 60 to 40 ratio of payroll to other expenses?

1:18:39.840,1:18:47.360

Megan Roberts: You can absolutely pick and choose what you are spending this loan distribution on,

1:18:47.360,1:18:54.640

and you do want to pick that you are getting hopefully above that ratio of 60 to 40.

1:18:55.200,1:18:59.360

Because anything less than that you're going to proportionally start

1:18:59.360,1:19:06.240

to reduce your loan forgiveness. But important to note, as Lindsay has already mentioned, it's not

1:19:06.240,1:19:11.040

an all or nothing. So it's just that proportional reduction that would start to occur.

1:19:12.800,1:19:13.920

Alright...Stephen's unmuted there.

1:19:13.920,1:19:18.800

Stephen Carpenter: If you're--if you're--if you're doing employment expenses, just use those,

1:19:18.800,1:19:25.360

all those first. And once that gets you to 60 you're--you're cool. But if you could do it

1:19:25.360,1:19:32.400

up to 100%, just do 'em. I mean, it's the simplest way. If you have those expenses.

1:19:32.400,1:19:39.840

Jane G Jewett: Right, because the 60% is a minimum, so you can go up to 100%

1:19:39.840,1:19:42.720

with the payroll expenses, if you want to.

1:19:42.720,1:19:45.120

Lindsay Kuehn--FLAG (she/her): Yeah, I think I should have framed this-- it's

1:19:45.120,1:19:49.520

helpful--framed it differently, because really the main rule is just at least 60%

1:19:49.520,1:19:54.320

on payroll. You could do anywhere

between 60 and 100 on that ,so...

1:19:54.320,1:19:57.680

Stephen Carpenter: It

1:19:57.680,1:20:04.160

is what you can't do--er, what you shouldn't
do, is, so you had a monster feed bill just

1:20:04.160,1:20:09.920

put that in there first, you know because that's
that's what you may need for your 40%, but you

1:20:09.920,1:20:13.680

don't you don't want that to be the bulk, you
know, the first thing, there are the only thing.

1:20:16.720,1:20:24.480

Jane G Jewett: Yep, payroll first. Okay. So, the
next question, there's a couple of them that are

1:20:24.480,1:20:34.320

similar. They--they deal with, First Draw or
Second Draw, or First Draw and then increase. So,

1:20:34.960,1:20:40.160

we received some loan disbursement
funds in fall of 2020 with the initial

1:20:40.800,1:20:49.040

PPP loan application. Then we applied for an increase, and received that in February 2021.

1:20:50.240,1:20:55.280

Which date do we use?

Megan Roberts:

1:20:55.280,1:21:02.160

I have asked, um, some lenders this question, so this is lender anecdotal information and

1:21:02.160,1:21:06.800

I don't know if Lindsay or Stephen have the official regulatory

1:21:08.880,1:21:14.240

quote off the top of their heads. Um, the understanding that I have is your

1:21:14.240,1:21:19.440

initial disbursement date remains your initial start of your covered period.

1:21:19.440,1:21:24.720

Lindsay Kuehn--FLAG (she/her):

1:21:24.720,1:21:28.880

And I don't know anything

different, so I would yeah.

1:21:28.880,1:21:36.720

Megan Roberts: One great way to get this confirmed with your specific situation is, reach out to your

1:21:36.720,1:21:44.640

lender and ask them, are you considering my initial fall 2020 as my covered period? Can

1:21:44.640,1:21:50.000

you confirm that for me? And that should, um, they should be able to give you that answer

1:21:50.000,1:21:57.040

pretty quickly. So I would definitely go with that if you have questions about a re-disbursement.

1:21:57.040,1:22:06.960

Jane G Jewett: Thank you, and then maybe just clarify again if there's a difference between an

1:22:06.960,1:22:14.320

increase on a First Draw at a later date, and then a Second Draw. So, those are different things?

1:22:14.320,1:22:21.120

Megan Roberts: They are. So theoretically, even though there's two PPP,

1:22:21.120,1:22:28.640

you might have had three applications that went through a First Draw that used net income,

1:22:29.360,1:22:36.880

a First Draw resubmit, where you went up to gross income, with a maximum 100,000 annualized,

1:22:36.880,1:22:44.480

and then a Second Draw. But, there are only two forgiveness that you would go

1:22:44.480,1:22:50.960

through. So that first draw resubmit is going to get sandwiched together into one First Draw

1:22:50.960,1:22:57.360

that's now based on gross income, and you'll have a Second Draw. So you'll apply for forgiveness

1:22:57.360,1:23:05.840

twice in that situation, even though it might have felt like you applied for PPP three times.

1:23:07.440,1:23:11.440

Jane G Jewett: Alright, and then the increase on that First Draw,

1:23:11.440,1:23:16.960

the loan disbursement date would
be the first disbursement date.

1:23:16.960,1:23:18.720

Megan Roberts:

1:23:18.720,1:23:23.040

That is our understanding of, though, I
believe, Lindsay, Stephen and I are going

1:23:23.040,1:23:29.760

a little bit with a, we cannot confirm that with
100% accuracy, at this moment in this webinar.

1:23:32.240,1:23:33.840

Jane G Jewett: Alright. Thank you.

1:23:36.240,1:23:41.600

Then just a basic question here. How soon
can we ask our lenders for forgiveness?

1:23:41.600,1:23:46.173

Lindsay Kuehn--FLAG (she/her): That I--

1:23:46.173,1:23:47.120

Megan Roberts: I'm unmuted--Lindsay unmuted.

1:23:49.760,1:23:54.320

I bet we're going to say the same thing. As soon as you've reached the end of your covered period,

1:23:54.320,1:24:00.560

and they are allowing you to make those forgiveness applications. I think many banks are

1:24:00.560,1:24:15.840

processing PPP 1 forgiveness right now. And moving into PPP 2 forgiveness kind of in this timeframe.

1:24:16.400,1:24:22.240

Jane G Jewett: All right, think, yeah, this one will be just sorting out some things

1:24:22.240,1:24:28.320

you've already said, perhaps, but for various types of expenses, could you explain what

1:24:28.320,1:24:34.080

counts in terms of payments made in advance of the start of the period,

1:24:34.800,1:24:43.840

payments made during the period, and payments made after the last day of the period.

1:24:43.840,1:24:48.080

Lindsay Kuehn--FLAG (she/her): I can take

a crack at some of that. So, for example,

1:24:49.200,1:24:53.440

and did this question, I missed if it's a self employed or if the person has employees, but,

1:24:54.560,1:24:58.000

one thing I was going to point out, in general, during your covered period when

1:24:58.000,1:25:03.360

we're talking about expenses that you make during that eight to 24 week time frame,

1:25:04.480,1:25:11.200

it's anything that is paid or incurred. So one example that the rules give is, for example,

1:25:11.200,1:25:17.200

if you are paying employees and you--they work, the last week of your covered period,

1:25:17.200,1:25:23.360

but you don't cut the check, you know for another two weeks. That amount is still forgivable as

1:25:23.360,1:25:29.120

long as you pay 'em on the next, kind of, payment cycle. So if it's paid during that covered period

1:25:29.120,1:25:39.840

or incurred and you pay it kind of immediately following that, that can count and be forgivable.

1:25:39.840,1:25:44.000

Jane G Jewett:

1:25:44.000,1:25:50.880

All right, I'm getting down to the end of questions here, and this last one that I have,

1:25:50.880,1:25:58.240

I think, relates back to some of the things Stephen was talking about, about when the SBA

1:25:58.240,1:26:06.160

is involved, and it might have implications for appeal. So, it is my understanding that SBA was

1:26:06.160,1:26:12.480

involved in the original loan approval. Is that correct or was this strictly a lender decision?

1:26:18.960,1:26:28.160

Stephen Carpenter: Yes, I think the short answer is, SBA always had the right to--to intervene,

1:26:29.280,1:26:36.080

but in almost every possible case, this
was a lender decision, and they just

1:26:36.720,1:26:42.000

follow the rules and send it on, and
it got sort of mechanically done.

1:26:46.240,1:26:50.240

I don't know. But, I haven't heard
of anybody who got approved by a

1:26:50.240,1:26:57.360

lender but it got it yanked by SBA.
I could-- I could be wrong. You guys?

1:27:00.120,1:27:01.120

Megan

1:27:01.120,1:27:06.080

Roberts: We're talking about really large loans,
where there were some questionable, you know they

1:27:06.080,1:27:15.440

went through, then SBA, and frankly Congress,
journalists had some inquiry, and you know things

1:27:15.440,1:27:23.200

happened there. But in general, in terms of small
loans to farmers, you know I'm right there with

1:27:23.200,1:27:31.200

Stephen on lenders' decision was what happened,
then it went into the SBA's electronic system,

1:27:31.200,1:27:34.960

and there was the mechanics of getting the money
back to the lender and then to the borrower.

1:27:34.960,1:27:40.640

Jane G Jewett:

1:27:40.640,1:27:47.880

All right, that is the end of the questions that
I had that I pulled off of chat or email. Um,

1:27:49.360,1:27:55.520

and it is 1:30. So, thank you to our presenters
for staying on longer to get those answered,

1:27:55.520,1:27:57.440

and Theresa, do you want to take us out?

1:27:57.440,1:28:04.720

Theresa Keaveny: Yeah. I do just want to let folks
know that we expect that we will have a few more

1:28:05.520,1:28:15.040

webinars related to any upcoming program

through USDA that targets local food producers,

1:28:15.840,1:28:22.000

and possibly will be doing a webinar
dealing with the Farm Service Agency

1:28:23.280,1:28:29.200

loan forgiveness for underserved communities.
There was a question in the chat about that that

1:28:29.200,1:28:35.840

was answered in the chat as well, so just stay
tuned. It will be a similar team of presenters,

1:28:35.840,1:28:45.120

and certainly contact Megan or Lindsay or
Stephen using the emails that were put in

1:28:45.120,1:28:50.160

the chat if you have further questions.
I think that's it. Thank you so much to

1:28:50.160,1:29:02.400

the presenters, and to Jane, and thank you all
for being part of this. Have a good afternoon.