



Paycheck Protection Program Guide

ABOUT THE PROGRAM

Asset Enhancement Solutions, LLC is actively connecting clients applying for Paycheck Protection Program (“Program”) loan assistance to approved U.S. Small Business Administration (“SBA”) lenders. Loan agreements will identify the lender to small businesses at signing, and any loan made under the Program must also be submitted to and approved by the SBA. Program funds are limited. There is no cost to you to apply for a Program loan.

What is the Paycheck Protection Program?

The Paycheck Protection Program (PPP) is a key section within the recently passed Coronavirus Aid, Relief and Economic Security Act (CARES) Act that allocates \$349 billion for small business (< 500 employees) loans to support payroll and certain other expenses. Certain businesses with > 500 employees may be eligible for the PPP if you do not exceed the number of employees under their NAICS Code and their net worth and financial performance are below certain SBA criteria. Loans are available for up to 2.5 times of your average monthly payroll during the year preceding the application, with a maximum loan of \$10 million. **If employers maintain their payroll and use loan funds for allowed expenses like payroll, rent and utilities for the first 8 weeks after the loan is issued, the loan amount is forgiven.** The PPP is retroactive to February 15, 2020.

Is my business eligible?

The following small businesses that were operational as of February 15, 2020 are eligible for PPP loans:

- a small business with fewer than 500 employees, regardless of revenue
- a small business that otherwise meets the SBA’s size requirements
- sole proprietors, independent contractors, and self-employed individuals who regularly carry on any trade or business, including those in the “gig economy”
- a hospitality or food service business (those with an NAICS code beginning with 72) if it has fewer than 500 employees per physical location

- a non-profit entity under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (Internal Revenue Code), so long as that entity has fewer than 500 employees
- a veterans organization under Section 501(c)(19) of the Internal Revenue Code that meets the SBA's size requirements
- a tribal business entity that meets the SBA's size requirements

It is important to note that the SBA applies complex affiliation requirements, which generally require a business to aggregate all of its parent companies, affiliates, and subsidiaries in determining whether the business meets the small business size requirements and borrowing criteria. These affiliation requirements still generally apply under the PPP, except that they are waived for:

- a hospitality or food service business classified under an NAICS code beginning with 72
- a business operating as a franchise that is an SBA-assigned franchise identifier code
- any entity that receives financial assistance from a company licensed under Section 301 of the Small Business Investment Act of 1958, as amended

Who is not eligible for a PPP loan through the Lending Partner?

Certain business types are not eligible for a PPP loan due to SBA or Lending Partner guidelines. The Lending Partner cannot approve Paycheck Protection Program (PPP) loan applications for the following business types:

1. Businesses Engaged in Lending

- Banks;
- Life Insurance Companies (but not independent agents);
- Finance Companies;
- Factoring companies;
- Investment Companies;
- Bail Bond Companies; and
- Other businesses whose stock in trade is money.

2. Passive Businesses

- Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds (except as Eligible Passive Companies under 13 CFR § 120.111) are not eligible.

- Businesses primarily engaged in subdividing real property into lots and developing it for resale on its own account are not eligible.
- Businesses that are primarily engaged in owning or purchasing real estate and leasing it for any purpose are not eligible. For example, shopping centers, salon suites, and similar business models that generate income by renting space to accommodate independent businesses that provide services directly to the public are not eligible.
- Businesses that lease land for the installation of a cell phone tower, solar panels, billboards, or wind turbine also are not eligible. However, the business operating the cell phone tower, solar panel, billboard, or wind turbine is eligible.
- Businesses that have entered into a management agreement with a third party that gives the management company sole discretion to manage the operations of the business, including control over the employees, the finances and the bank accounts of the business, with no involvement by the owner(s) of the Applicant business, are not eligible. (See paragraph II.D.7 of this chapter for additional guidance on management agreements.)
- Apartment buildings and mobile home parks are not eligible.
- Residential facilities that do not provide healthcare and/or medical services are not eligible.

3. Life Insurance Companies

4. Business Located in a Foreign Country or Owned by Undocumented (Illegal) Aliens

5. Businesses Selling Through a Pyramid Plan

6. Businesses Deriving More Than One-Third Of Gross Annual Revenue from Legal Gambling Activities

7. Private Clubs and Businesses Which Limit the Number of Memberships for Reasons Other Than Capacity

8. Government-Owned Entities, Excluding Native American Tribes

9. Businesses Principally Engaged in Teaching, Instructing, Counseling or Indoctrinating Religion or Religious Beliefs, Whether in a Religious or Secular Setting

10. Businesses Engaged in SBA Loan Packaging

11. Businesses Providing Prurient Sexual Material

12. Businesses primarily engaged in political or lobbying activities

13. Speculation

- Speculative businesses are not eligible. This prohibits loans to an Applicant for:
 - The sole purpose of purchasing and holding an item until the market price increases; or
 - Engaging in a risky business for the chance of an unusually large profit.
- Speculative businesses include:
 - Wildcatting in oil;
 - Dealing in stocks, bonds, commodity futures, and other financial instruments;
 - Mining gold or silver in other than established fields;
 - Research and Development; and
 - Building homes for future sale (except under the Builders CAPLines program).

14. Small Business Lending Company (SBLC)

15. Businesses Owned by Non-U.S. Citizens

16. Businesses whose owners (including partial owners) are (a) currently indicted or arraigned, or (b) on parole for a criminal charge; or (c) were convicted of a felony within the last five years.

How much funding can I access?

The maximum loan you can access is 250% of your average monthly payroll during the year preceding the application, up to \$10 million. **However, this particular Lending Partner of ours can only process loans of up to \$2 million.** If your loan amount is expected to exceed \$2 million, please email us at PPPsupportstaff@asetenhancement.com or call us at 516-767-0100. We monitor our email and phone after business hours and on weekends and someone on our team will respond to you as soon as possible.

Seasonal business expenses will be measured using a 12-week period beginning February 15, 2019, or March 1, 2019, whichever the seasonal employer chooses.

How can I use a PPP loan?

You can use the loan to fund payroll costs, employee salaries, costs related to the continuation of group healthcare benefits during paid leave (sick, family or medical), insurance premiums, mortgage interest payments, rent, utilities and interest on any other debt obligation incurred before February 15, 2020.

APPLYING

When can I apply?

- Starting April 3, 2020, small businesses and sole proprietorships can apply for loans to cover their payroll and other certain expenses through existing SBA lenders.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

What information do I need to provide to apply?

**If your business is any of the following:
Corporation, Professional Corporation, General Partnership, LLC**

	If your business is not seasonal	If your business is seasonal
All businesses of this type should provide the following	<ul style="list-style-type: none"> • Color copy of government issued ID (front and back) • Organizational Documents* • 2019 IRS Form W-3 • 2019 IRS Form 940 	<ul style="list-style-type: none"> • Color copy of government issued ID (front and back) • Organizational Documents* • Payroll Statements
If you pay for health coverage	Medical Insurance Payment Verification	Medical Insurance Payment Verification
If you pay for retirement benefits	Document Confirming Benefit	Document Confirming Benefit
If you have employees outside the US	W-2s for employees living abroad	W-2s for employees living abroad
If you have employees making over \$100,000	W-2s for employees making over \$100K	W-2s for employees making over \$100K
If you have received or been approved for an EIDL loan	Your most recent statement from your outstanding Economic Injury Disaster Loan.	Your most recent statement from your outstanding Economic Injury Disaster Loan.

*Examples of Organizational Documents include: Articles of Incorporation, Certificate of Existence, Certificate of Organization, State LLC Agreement, Certificate of Formation or Articles of Information

**If your business is any of the following:
Sole Proprietorship, Independent Contractor, Self-employed, Single member LLC**

	If you have employees	If you do not have employees
All businesses of this type should provide the following	<ul style="list-style-type: none"> • Color copy of government issued ID (front and back) • 2019 1040 Schedule C** • 2019 IRS Form W-3 • 2019 IRS Form 940 • W2s for any employees earning more than \$100,000 • Payroll statement covering 2/15/2020 	<ul style="list-style-type: none"> • Color copy of government issued ID (front and back) • 2019 1040 Schedule C** • Substantiation of self employment <ul style="list-style-type: none"> • 1099-MISC for Independent Contractors <p>2020 invoice, bank statement or book of record to establish you were operating effective 2/15/2020</p>
If you pay for health coverage	Medical Insurance Payment Verification (line 14 of the 1040 Schedule C)	
If you pay for retirement benefits	Document Confirming Benefit (line 19 of the 1040 Schedule C)	
If you have received or been approved for an EIDL loan	Your most recent statement from your outstanding Economic Injury Disaster Loan.	Your most recent statement from your outstanding Economic Injury Disaster Loan.

**If you have not completed 1040 Schedule C for 2019, fill it out and compute the value for line 31. The Lender cannot accept this form for previous years. The lender will not make the loan without a 2019 Schedule C. Speak to your tax preparer ASAP to have them prepare this for you immediately! Your 2019 tax return does not need to have been filed with the IRS in order for you to get the 2019 Schedule C. You or your tax preparer can complete this form on a stand-alone basis. If line 31 on the 1040 Schedule C is zero or negative, your business is not eligible for a PPP loan.

Most applicants will need:

- Borrower certification required by the SBA
- Any payroll filings and Form 1099-MISC reported to the IRS, and state income, payroll, and unemployment insurance filings
- Borrower loan application

- Good Faith Certification stating that the loan is necessary to support ongoing operations; funds will be used toward eligible expenses; and you've only applied for one loan under the program

As the program evolves, additional documents may be requested.

Do I need to pledge any collateral for these loans?

No collateral is required.

Do I need to personally guarantee this loan?

No, there is no personal guarantee requirement. However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.

Do I need to first look for other funds before applying to this program?

No, the SBA is waiving the requirement that you try to obtain some or all of the loan funds from other sources (i.e., Credit Elsewhere requirement).

Can I get a PPP loan if I have other SBA loans?

Borrowers may apply for PPP loans and other SBA financial assistance, including [Economic Injury Disaster Loans \(EIDLs\)](#), 7(a) loans, 504 loans, and microloans and also receive investment capital from Small Business Investment Corporations (SBICs). However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers.

Can I also apply for an Economic Injury Disaster loan (EIDL) under the act?

Yes. The act likewise expands access to SBA's economic injury disaster loans (EIDL) program to businesses with fewer than 500 employees. The same affiliation issues described above apply. Eligible businesses that suffer substantial economic injury as a result of a disaster or emergency, which now includes COVID-19, can apply for a loan under this program between January 31, 2020, and December 31, 2020.

No personal guarantee is required for EIDLs under \$200,000, and the loan can be made solely upon the applicant's credit score. Initial advances of up to \$10,000 can be issued within three days and need not be repaid. The loan will bear a low rate of interest; however, unlike PPP 7(a) loans, the act does not provide for forgiveness for EIDLs. Businesses may receive both PPP loans and EIDLs, so long as both loans are not used for the same purpose or otherwise duplicative.

Can I get more than one PPP loan?

Each Taxpayer Identification Number is only eligible for one PPP loan.

What if I have multiple businesses?

At this time, the Lending Partner can only process one application/EIN/one deposit account per email address. If you have multiple businesses that require different PPP loans, please use a different email address for each separate business entity that has a separate EIN. If you are unable to do this, we can assist you, please email us at PPPSupportstaff@asetenhancement.com or call us at 516-767-0100. We monitor our email and phone after business hours and on weekends and someone on our team will respond to you as soon as possible.

How long will the program last?

Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there are a limited amount of funds available, and the program is first-come first-served.

Who is my lender?

Your lender will be identified on your loan documentation, which will be provided to you prior to signing.

Are there any origination fees or other fees the Lending Partner is charging for PPP loans?

No. It's free to apply for a PPP loan and there are no origination fees for the Borrower. Please be wary of any third party that asks you to provide up-front fees to apply for PPP loans as the SBA guidance explicitly prohibits such fees.

If I apply and am eligible, am I guaranteed a loan?

Program funds are limited. We cannot guarantee that your application will be processed and submitted before SBA funding is no longer available. Applying with The Lending Partner does not limit you from applying with other lenders and/or platforms. Should you get turned down by this or another lender, we can assist you, please email us at PPPSupportstaff@asetenhancement.com or call us at 516-767-0100. We monitor our email and phone after business hours and on weekends and someone on our team will respond to you as soon as possible.

What if I haven't filed one of the 2019 IRS forms requested?

Even if you haven't filed a requested form, you should work with your CPA or refer to your tax software to fill it out and submit it for your loan application. Since 2019 payroll forms like 940, 941 and W3 weren't included in the COVID-19 extension, they should be filed and submitted as part of your application.

Can I submit a K-1 as proof of payroll?

No, that is considered owner's draw compensation and is not considered payroll. Sole proprietors should submit Form 1040 if available, otherwise they need to submit 2019 Schedule C. The lender will not make the loan without a 2019 Schedule C. Speak to your tax preparer ASAP to have them prepare this for you immediately! Your 2019 tax return does not need to have been filed with the IRS in order for you to get the 2019 Schedule C. You or your tax preparer can complete this form on a stand-alone basis.

I have an LLC with several employees, but I do not file a W2 on myself as the owner. Am I included in the payroll calculation?

No, if you are an LLC, take draws from the company and file on your 1040, that is not included in the payroll calculation.

What if I have a single-member LLC?

You will submit your Form 1040 with Schedule C to verify payroll. The lender will not make the loan without a 2019 Schedule C. Speak to your tax preparer ASAP to have them prepare this for you immediately! Your 2019 tax return does not need to have been filed with the IRS in order for you to get the 2019 Schedule C. You or your tax preparer can complete this form on a stand-alone basis.

I am concerned about security. Can I password protect my documents before I submit them?

Please do not submit password-protected documents. The Lender will not be able to open them to verify your information, which will delay your application.

What documents are considered organizational documents?

Examples of organizational documents include: Articles of Incorporation, Certificate of Existence, Certificate of Organization, State LLC Agreement, Certificate of Formation, or the Articles of Information. (This does not apply if you are a sole proprietor or independent contractor.)

How is payroll calculated if I am not a seasonal business and not a sole prop or independent contractor?

- Any salaries, wages, commissions, tips and bonuses, including severance pay found on W3 (excluding contractor pay and owner draw compensation)
- Any paid leave (no FFCRA paid leave) found in [940](#) or [944](#)
- Employee-paid state and local taxes found in [W3](#)
- Employee-paid group health benefit contributions found in uploaded statements
Employee-paid retirement contributions
- [W2](#) for any employee making over \$100K and/or living abroad
- EIDL statement if you are refinancing it through the PPP

What goes into the payroll calculation if I am a seasonal business?

- Salaries, wages, commissions, tips and bonuses, including severance pay found in 941s for every quarter you were in business and/or monthly payroll statements
- Any paid leave (no FFCRA paid leave) found in [940](#) or [944](#) and/or monthly payroll statements

- Employee-paid state and local taxes found in state returns and/or monthly payroll statements
- Employee-paid group health benefit contributions found in uploaded statements
- Employee-paid retirement contributions
- [W2](#) for any employee making over \$100K and/or living abroad
- EIDL statement if you are refinancing it through the PPP

What if I don't have any employees?

- For Sole Props, single member LLCs and self-employees the Lender will need:
- [1040 Schedule C](#) The lender will not make the loan without a 2019 Schedule C. Speak to your tax preparer ASAP to have them prepare this for you immediately! Your 2019 tax return does not need to have been filed with the IRS in order for you to get the 2019 Schedule C. You or your tax preparer can complete this form on a stand-alone basis.
- Payroll statements (where applicable)
- EIDL statement if you are refinancing it through the PPP
- For Independent contractors the Lender will need [1099s](#) and proof of payment such as paid invoices

What if I don't have those payroll documents?

Our Lending Partner won't be able to submit your application to the SBA if they can't verify your payroll costs through this documentation. If you are unable to do this, we can assist you, please email us at PPPsupportstaff@asetenhancement.com or call us at 516-767-0100. We monitor our email and phone after business hours and on weekends and someone on our team will respond to you as soon as possible.

If I am a Sole Prop or Independent Contractor, what time period should I request monthly payroll statements from my payroll provider?

- Seasonal businesses: February 15, 2019 – June 30, 2019
 - Seasonal businesses (as defined above) that were in business for at least eight weeks between Feb 15, 2019 and June 30, 2019 but weren't back in business by Feb 15, 2020, don't count as a "new business" and should select the above period for seasonal businesses.
- Newly formed businesses: not formed before February 12, 2019, use January 1, 2020 – February 29, 2020.

REPAYMENT

Will my PPP loan be forgiven?

Yes, the loan amounts will be forgiven as long as:

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made; and
- Employee and compensation levels are maintained.

How much of my PPP can be forgiven?

The amount of your loan that is forgiven is equal to the amount you spend during the 8 weeks following loan origination toward eligible expenses, including:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities, including electricity, gas, water, transportation, telephone and Internet access for service that began before February 15, 2020
- Additional wages paid to tipped employees

Forgiven amounts will not be considered cancellation of indebtedness income for federal tax purposes. Given the amount of interest in the program, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

Can the amount forgiven be reduced?

The amount of loan forgiveness is reduced if there is a reduction in the number of employees, or a reduction of more than 25% in wages paid to employees. Reductions in the number of employees or compensation occurring between February 15, 2020, and April 26, 2020, will generally be ignored if the action (layoff or salary reduction) is reversed by June 30, 2020.

How can I request loan forgiveness?

You can submit a request to the lender that is servicing the loan by providing:

- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and state income, payroll and unemployment insurance filings
- Documentation verifying payments on covered mortgage obligations, lease obligations and utilities

- Certification that the amount that is being forgiven was used in accordance with the program's guidelines for use

The lender must make a decision on the forgiveness within 60 days.

If my loan amount covers 2.5x my monthly payroll and other costs, but only eight weeks of those expenses are forgivable, will I owe the remainder back to the lender?

Yes, the act allows for a maximum forgiveness of 8 weeks of approved costs. The remainder will be treated as a loan. Remember that the approved costs subject to forgiveness are broader than just payroll, and also include mortgage interest, rent and utilities.

What is my interest rate?

Loans through PPP have a fixed interest rate of 1%.

When do I need to start paying interest on my loan?

All payments (principal, interest and fees) are deferred for 6 months; however, interest will continue to accrue over this period.

When is my loan due?

The loan is due in 2 years, but you can repay early without any prepayment penalties or fees.

ELIGIBLE EXPENSES

What interest expenses are considered eligible?

Any business-related interest payments on a mortgage or other debt obligation (excluding any prepayment or principal obligation) that was incurred before February 15, 2020.

What rent expenses are considered eligible?

Payments for business-related rent under a leasing agreement that was in force before February 15, 2020.

What utility expenses are considered eligible?

Payments for business related utilities (for the distribution of electricity, gas, water, transportation, telephone, or internet access) for which service began before February 15, 2020.

What counts as payroll costs?

Payroll costs include:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee) for employees whose principal place of residence is the U.S.
- Employee benefits including costs for vacation, parental, family, medical, or sick leave allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit
- State and local taxes assessed on compensation
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee

Are any payroll costs excluded?

Yes, the following payroll costs are excluded:

- Any compensation of an employee whose principal place of residence is outside of the United States
- The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary
- Federal employment taxes imposed or withheld between February 15, 2020, and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127).
- Contractor pay (i.e. any issued 1099s)
- Payroll reimbursements
- Owner's draw compensation (except for sole props)
- Worker's compensation fees
- Fringe benefits (i.e. commuter benefits, HSAs)
- Ancillary benefits (i.e. short-term disability, long-term disability, life insurance)

Do independent contractors count as employees for purposes of PPP loan calculations?

No, independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower's PPP loan calculation.

What is the maximum recoverable salary for each employee?

For any employee whose salary is \$100,000 or more, only \$8,333 per month can be included in the calculation of average monthly payroll costs, in addition to that employee's cost of health and retirement benefits and state and local taxes prorated for the covered period.

How can PPP loans be used?

In addition to the approved uses for a Section 7(a) loan made in the ordinary course, a PPP loan may, for the period from February 15, 2020 to June 30, 2020, be used for the following:

- payroll costs;
- insurance benefits;
- employee salaries, commissions, or similar compensations;
- mortgage payments;
- rent payments;
- utilities;
- interest on existing debt; and
- as noted above, to repay or refinance an EIDL incurred by the borrower between January 31, 2020 and the date on which PPP loans become available.