

December 22, 2020

Dear Valued F&M Bank Client,

As promised, F&M Bank is committed to keeping our Paycheck Protection Program (PPP) loan clients informed with the most accurate and up-to-date information regarding the PPP loan program. Last night, Congress approved a \$900 billion relief package for households and businesses impacted by the Coronavirus pandemic. The bill now heads to the White House, where it needs to be signed into law. This package also contains an expansion of and various improvements to the PPP loan program. Below please find information concerning a second round of PPP loans as well as updates on the forgiveness process for existing PPP loans:

PPP Second Draw Loan

- **F&M Bank will be making PPP second draw loans.** Once the new application forms are released, we will begin accepting applications via a web link that will be posted on your Online Banking profile. F&M Bank recommends borrowers review their financial statements to determine if they meet eligibility and revenue reduction requirements for the second draw loan while keeping supporting documentation readily available.
- **Eligibility***. In order to be eligible for a second PPP loan, eligible entities must employ 300 or fewer employees and have used or will use the full amount of their first PPP loan. **Businesses must also demonstrate at least a 25% reduction in gross receipts in the first, second, or third quarter relative to the same quarter in 2019.**
- **Loan terms**. In general, borrowers may receive a loan amount of up to 2.5X average total monthly payroll costs in the one year prior to the date the loan is made or the calendar year 2019, up to \$2 million.
 - Businesses with a NAICS Code beginning with 72 (accommodation and food services) may receive a second PPP loan of up to 3.5X times their average monthly payroll costs.
 - Seasonal employers may calculate their maximum loan amount based on any 12-week period beginning February 15, 2019 and February 15, 2020.
 - New entities may calculate loans by taking 2.5X the sum of total monthly payments divided by the total number of months in which payments were made.

- Loan Forgiveness. Borrowers of a PPP second draw loan are eligible for loan forgiveness under the same rules as the original PPP loan.

PPP Loan Forgiveness

- The stimulus package also creates a simplified Forgiveness Application process for loans under \$150,000 such that a borrower shall receive forgiveness if they sign and submit a certification not more than one page in length that includes:
 - A description of the number of employees the borrower was able to retain because of the loan;
 - The estimated total amount of the loan spent on payroll costs;
 - The total loan amount; and
 - An attestation that the borrower complied with PPP loan requirements and will retain relevant records for four years.

The SBA must release the new forgiveness application reflecting these enhancements within 24 days of enactment of this new bill.

- Repeals the requirement that an EIDL advance be deducted from a borrower's PPP loan forgiveness, and requires the SBA to issue rules that ensure the borrower is made whole if they received forgiveness and their EIDL grant amount was deducted from the forgiveness amount paid.
- Clarification of the tax treatment whereby the forgiveness shall not be included in the gross income and borrowers can still claim normal tax deductions for business expenses paid with PPP funds.
- The bill makes the following expenses allowable and forgivable uses for PPP:
 - Expenditures for operations consisting of software, cloud computing, and other human resources and accounting needs;
 - Property damage costs due to public disturbances that occurred during 2020, not covered by insurance;
 - Supplier costs pursuant to a contract, purchase order, or other order that was in effect prior to taking out the loan and was essential to the recipient's operations at the time it was made; and,
 - Worker protection expenditures including investments in personal protective equipment and other costs to help comply with federal health guidelines.
- A borrower can elect a covered period at any point of the borrower's choosing between 8 and 24 weeks after loan origination.

- Once the new forgiveness application is released, F&M Bank will need additional time to integrate it into the online portal and begin processing applications. **We are currently targeting February 2021 to begin processing forgiveness applications for borrowers with loan amounts under \$150,000.**

The entire F&M Bank family remains committed to supporting our ongoing needs and we look forward to working with you on the second draw loans and loan forgiveness process. **F&M Bank – California’s Strongest – is in this with you, and for you.**

Thank you for being our client.

Wishing you and your family a Merry Christmas.

Your F&M Bank SBA Department.

Sincerely,
Your F&M Bank SBA Department

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**Submitting an application is neither a commitment nor an offer to lend.*



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