



# Paycheck Protection Program

While there remain some outstanding questions when it comes to the process of loan forgiveness, we wanted to reach out early to assist you in preparing your application for forgiveness.

## Preparing for Forgiveness

The following is a general breakdown of how you can begin this process during your 8-week period.

### 8 Weeks of Coverage

- o Eligible expenses are only those incurred during your 8-week period, which starts the date F&M Bank made your first disbursement of the loan.
- o This may not necessarily be the date on which you signed the loan agreement, promissory note, etc.
- o Consider your payroll schedule. You may want to adjust the timing of your payroll date to accommodate as many payroll cycles as possible.

### The 75% 25% Rule

- o At least 75% of your PPP loan funds must be used for payroll costs.
- o No more than 25% of your PPP funds can be used for non-payroll purposes.
- o Payments to independent contractors are not included in your payroll costs.
- o The following payroll costs are not eligible for loan forgiveness but you should be keeping track of these:
  - Payments to an independent contractor
  - Cash compensation in excess of \$100,000
  - The employer's share of federal payroll taxes
  - Qualified sick leave and qualified parental leave wages for which credit is allowed under the Families First Coronavirus Response Act (FFCRA)

### Review Your Staffing Requirements

- o To receive your highest loan forgiveness, you must maintain the number of employees on your payroll.
- o If you are self-employed:
  - 8-weeks of your 2019 net profit will be eligible for loan forgiveness.
  - Mortgage interest, rent and/or utilities expenses must have been claimed or are entitled to be claimed as a deduction on your 2019 Form 1040 Schedule C to qualify for loan forgiveness.

### Keep a thorough, running list of all documentation that will need to be submitted by you to F&M Bank to complete a loan forgiveness application. Items may include the following:

- o Documents verifying your number of FTEs on payroll and their pay rates for the periods used to verify you've met the staffing and pay requirements:
  - Payroll reports from your payroll provider
  - Payroll tax filings (Form 941)
  - Documents verifying any retirement and/or health insurance contributions
  - Income, payroll, and unemployment insurance filings from your State.
- o Documents verifying your eligible interest, rent, and/or utility payments including but not limited to:
  - Cancelled checks
  - Payment receipts
  - Account statements



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