

New York Credit Union Association

Welcome

SBA Paycheck Protection Program (PPP) Credit Union Onboarding

Legislative Update
William Mellin, President/CEO

SBA PPP Update:

- Senate approved \$310 billion in new SBA PPP loan money on 4/21. House scheduled to approve the bill as early as Thursday, 4/23
- \$60 billion set aside specifically for smaller institutions like credit unions. \$30 billion earmarked to institutions with between \$10 billion and \$50 billion in assets, with the other \$30 billion to institutions with less than \$10 billion in assets.
- Officially, the SBA will not provide guidance on any changes to the program until after the President signs the bill

New York State PPP Loan Statistics from initial funding round:

- \$20.3B funded on 81K approved loans. 75% of loans funded were under \$150,000.
- 50 NY CUs are participating in PPP representing one of the highest participation rates amongst CUs compared to other states.

Bill Bywater (william.bywater@nycua.org)

PPP Credit Union Onboarding – Lender Application Process

- While the PPP Lender Gateway is closed for submitting Loan Requests, CUs can continue to accept applications.
- The SBA will continue to accept applications and approve new PPP lenders in advance of the PPP Lender Gateway becoming available.
- First Step: Credit Union will complete SBA Form 3506 to enroll as a participating SBA Lender to make Paycheck Protection Program financing available to their members.
- The form should be sent directly to the SBA: DelegatedAuthority@sba.gov. Allow 24-48hrs to receive approval notification from the SBA.
 - Form 3506 requires attesting witness signature and notarization.
 - Credit Union will have documented Board of Directors Approval to participate in the PPP program.

PPP Credit Union Onboarding – Lender Application Process

- Sample PPP Lender Approval Notice:

From: Delegated Authority <DelegatedAuthority@sba.gov>

Sent: Wednesday, April 8, 2020 12:47 PM

To: William Bywater

Subject: Paycheck Protection Program Notification

Your institution has been entered into SBA's Partner Information Management System (PIMS) for participation in the Paycheck Protection Program (PPP).

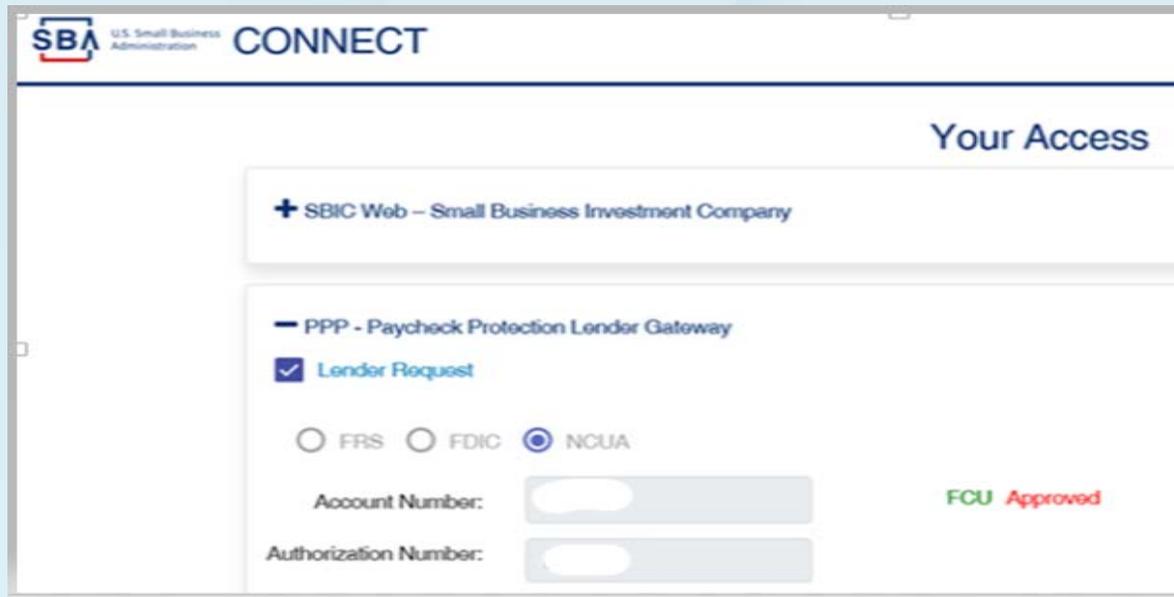
Please review the attached instructions for access to the **CAFS/E-Tran loan application** system and contact pppsbasupport@guidance.com for assistance, if needed.

Delegated Authority
Office of Credit Risk Management
Office of Capital Access
U.S. Small Business Administration
delegatedauthority@sba.gov



PPP Credit Union Onboarding – SBA Connect Lender Gateway Enrolment Process

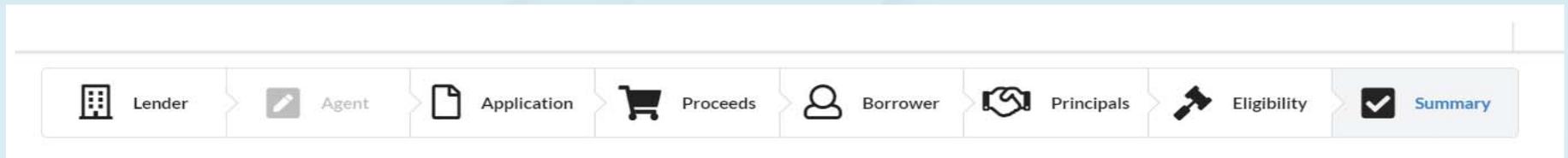
- **SBA Connect:** Portal replaces CAFS-Etran portal for those institutions approved solely as SBA PPP lenders.
- Security upgrade launched on 4/13/20 requires the appointed lenders authorizing official to contact the SBA District office for **new Authentication Number** to access the **Lender Gateway**.



The screenshot shows the SBA Connect portal interface. At the top left is the SBA U.S. Small Business Administration logo and the word "CONNECT". On the right side of the header is "Your Access". Below this, there are two main sections. The first section is titled "+ SBIC Web – Small Business Investment Company". The second section is titled "PPP - Paycheck Protection Lender Gateway" and contains a checked checkbox for "Lender Request". Below this, there are three radio button options: "FRS", "FDIC", and "NCUA", with "NCUA" being selected. At the bottom of this section, there are two input fields: "Account Number:" and "Authorization Number:". To the right of these fields, the text "FCU Approved" is displayed in red.

PPP Credit Union Onboarding – SBA Connect Lender Gateway Enrollment Process

- Within the connect.sba.gov/request access site there isn't a way to upload supporting documents (applications, promissory note, etc.). Credit Unions will manually enter the application information for the borrower and CU as the lender following the steps below, review the summary and then submit.



- **Loan Approval Number:** Once submitted, CUs will receive the below notice from the SBA in addition to the borrower's name and a Transaction ID number. The "Loan Number" represents the SBA has approved the loan request.

 Submitted	
Loan Number	4942587104
Loan Application Number	12783425

PPP Credit Union Onboarding – SBA Connect Lender Gateway Enrollment Process

U.S. Small Business Administration – Lender Relations Contacts

as of 1/1/2020

Buffalo District Counties (Authorization Code 0296): Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Seneca, Wayne, Wyoming, Yates

Buffalo District Office Paul Hoffman, Lender Relations Specialist
Paul.Hoffman@sba.gov
130 S. Elmwood Avenue, Suite 540, Buffalo, NY 14202

Rochester Branch Office Virginia Smith, Branch Manager
Virginia.Smith@sba.gov
100 State Street, Room 410, Rochester, NY 14614

New York District Counties (Authorization Code 0202): Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, Westchester

New York District Office 26 Federal Plaza, Suite 3100, New York, NY 10278

Robin Daniels: Robin.Daniels@sba.gov

Christopher Dalton: Christopher.Dalton@sba.gov

Syracuse District Counties (Authorization Code 0202): Albany, Broome, Cayuga, Chemung, Chenango, Clinton, Columbia, Cortland, Delaware, Essex, Franklin, Fulton, Greene, Hamilton, Herkimer, Jefferson, Lewis, Madison, Montgomery, Oneida, Onondaga, Oswego, Otsego, Rensselaer, St. Lawrence, Saratoga, Schenectady, Schoharie, Schuyler, Steuben, Tioga, Tompkins, Warren, Washington

Syracuse District Office 224 Harrison Street, Suite 506, Syracuse, NY 13202

Valerie Shoudy, Lender Relations Specialist
Valerie.Shoudy@sba.gov

PPP Credit Union Onboarding – Underwriting Requirements

SBA PPP Model Policy Available from Partner League Infosight

“CARES Act – Small Business Administration (SBA) Loans – PPP Policy”

Member Eligibility

- Businesses, veterans’ organizations, tribal business concerns or nonprofit organizations that have fewer than 500 employees, or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by the SBA, if higher.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.
- Any business that employees not more than 500 employees per physical location of the business and that is assigned an NAICS code beginning with 72, for which the SBA affiliation rules are waived.

PPP Credit Union Onboarding – Underwriting Requirements (Continued)

Underwriting

- Verification that the business member was in operation on February 15, 2020.
- Verification that the business member had employees for whom they paid salaries and payroll taxes.
- Verification of the dollar amount of average monthly payroll costs.
- Eligible self-employed individuals, independent contractors, or sole proprietorships will provide documentation as necessary to establish themselves as eligible, including payroll tax filings report to the IRS, Forms 1099-MISC, and income and expenses from the sole proprietorship.
- Completion of applicable Bank Secrecy Act (BSA) requirements

- IFR Guidance Issued 4/15/20 for Paycheck Protection Program (PPP) loan applications from sole proprietorships and independent contractors. Clarifies documented net income requirement from the operations of the entire business relevant to PPP underwriting. IRF specifically indicates Schedule C will suffice. Schedule E, K-1's not specifically address.

PPP Credit Union Onboarding – Underwriting Requirements (Continued)

Underwriting

The member seeking loan forgiveness will apply with the credit union, providing an application that will also include:

- Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the current and prior years, including: payroll tax filings reported to the IRS; and state income, payroll, and unemployment insurance filings.
- Documentation including cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payments on covered payments (mortgage, lease and utilities).
- Certification from the representative who is authorized to make a certification on behalf of the business that:
 - The documentation presented is true and correct;
 - The amount of forgiveness is requested and was used to retain employees and for covered payments (mortgage, rent, or utilities); and
- Any other documentation that the SBA determines necessary.

PPP Credit Union Onboarding – Underwriting Requirements (Continued)

- New PPP FAQs updated on 4/15/20
- From a policy standpoint, credit unions have full discretion in establishing CAP limits per member, qualifying eligible members, imposing additional underwriting requirements and disbursing approved loans incrementally or in full. First disbursement is required within 10 days of SBA Approval.

PPP Credit Union Onboarding – Reporting Requirements

- Reporting Requirements on PPP Loans is done monthly through Colson Service Corp. Lenders should provide monthly reports on SBA Form 1502 that includes loan status information for its SBA guaranteed loans, regardless of whether the Borrower made a payment in the current month. Lenders must submit the Form 1502 to SBA's FTA (Colson) using one of the following delivery methods: FTA's website (<https://colsonservices.bnymellon.com>) facilities or SFTP (Secure File Transfer Protocol), Lenders should contact FTA's Client Service at 877-245-6159, Call Option 1 for additional instructions.

Awaiting on Further Guidance from SBA:

The SBA is expected to issue guidance and regulations for the loan forgiveness of a Paycheck Protection Loan not later than 30 days after the CARES Act is enacted. This gives the SBA until April 26, 2020.

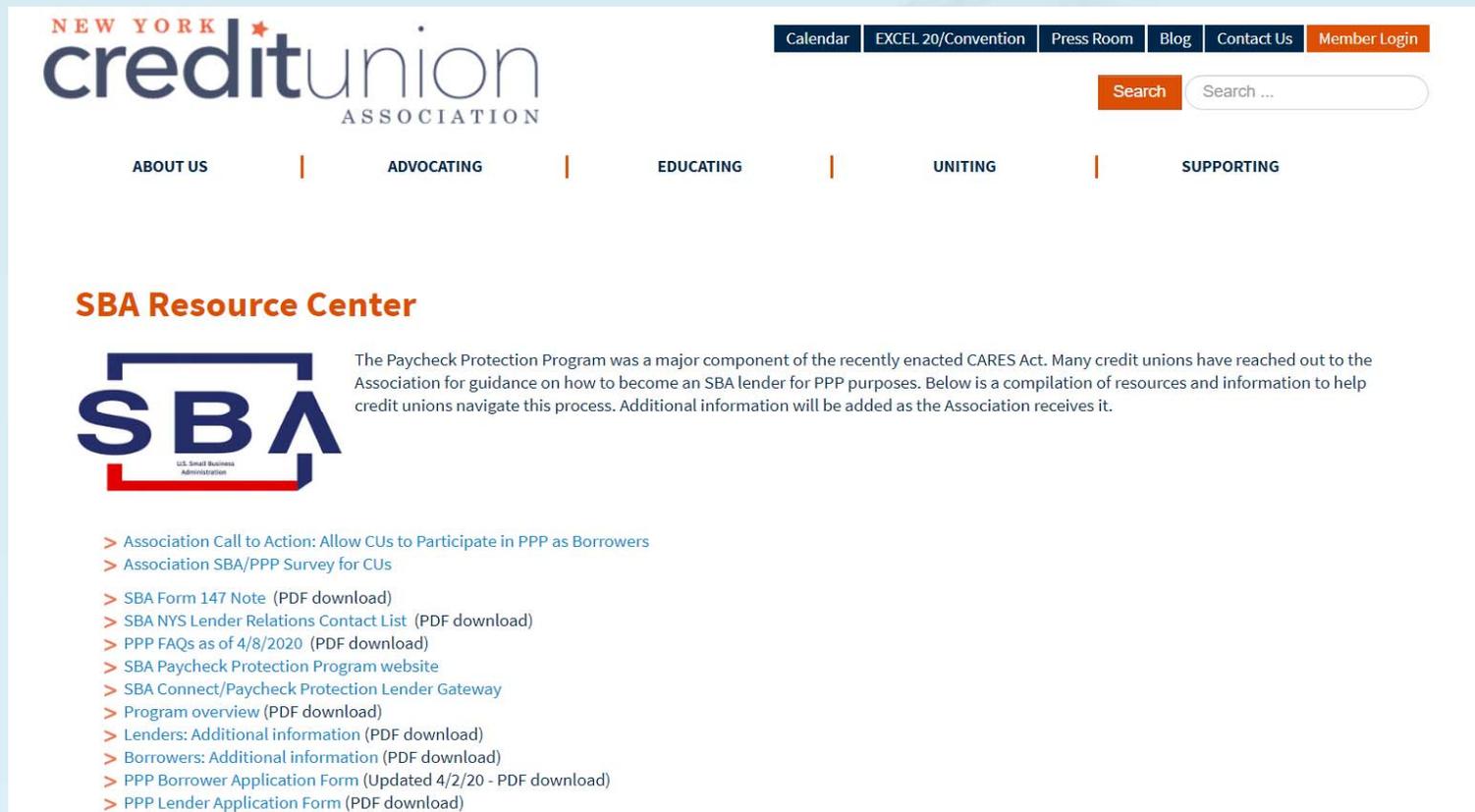
- **SBA has not officially issued the guidelines for the 5%, 3% or 1% processing fees that will be paid to lenders.**
- **According to IFR there are two ways lenders may be reimbursed for forgiven amounts:**
 - After a lender makes a formal determination on a forgiveness application and processes the forgiveness payment, the SBA must pay the lender 100% of the forgiven amount within 90 days of the date of forgiveness (with interest from the date of forgiveness through the date of payment).
 - A lender may request that the SBA purchase the expected forgiveness amount of a PPP loan, or a pool of PPP loans, at the end of the seventh week (of the origination of the PPP loans in question. The SBA must purchase the forgiveness amounts within 15 days of the request.

PPP Credit Union Onboarding - NCUA Interim final rule 4/23/20.

Regulatory Capital Rule: Paycheck Protection Program Lending Facility and Paycheck Protection Program Loans

- The CARES Act requires that PPP loans receive a zero percent risk weighting under the NCUA's risk-based capital requirements. To reflect the statutory requirement, the interim final rule amends the NCUA's capital adequacy regulation to provide that covered PPP loans receive a zero percent risk weight.
- Paycheck Protection Program Lending Facility (PPPL Facility): To facilitate use of the PPPL Facility, the interim final rule allows credit unions to neutralize the regulatory capital effects of PPP loans pledged to the Facility. In other words, the IFR excludes pledged PPP loans from regulatory capital requirements.

NYCUA's SBA Resource Center: PPP-specific information



The screenshot shows the website header for the New York Credit Union Association. The logo features "NEW YORK" in red, a red star, and "creditunion" in blue and grey, with "ASSOCIATION" below it. Navigation links include "Calendar", "EXCEL 20/Convention", "Press Room", "Blog", "Contact Us", and "Member Login". A search bar with a "Search" button and "Search ..." text is present. A horizontal menu contains "ABOUT US", "ADVOCATING", "EDUCATING", "UNITING", and "SUPPORTING".

SBA Resource Center



The Paycheck Protection Program was a major component of the recently enacted CARES Act. Many credit unions have reached out to the Association for guidance on how to become an SBA lender for PPP purposes. Below is a compilation of resources and information to help credit unions navigate this process. Additional information will be added as the Association receives it.

- > Association Call to Action: Allow CUs to Participate in PPP as Borrowers
- > Association SBA/PPP Survey for CUs
- > SBA Form 147 Note (PDF download)
- > SBA NYS Lender Relations Contact List (PDF download)
- > PPP FAQs as of 4/8/2020 (PDF download)
- > SBA Paycheck Protection Program website
- > SBA Connect/Paycheck Protection Lender Gateway
- > Program overview (PDF download)
- > Lenders: Additional information (PDF download)
- > Borrowers: Additional information (PDF download)
- > PPP Borrower Application Form (Updated 4/2/20 - PDF download)
- > PPP Lender Application Form (PDF download)

Questions

Thank You!