

Hello Florida Realtors. My name is Brett Wherry. I'm a CPA with Berman Hopkins, a Central Florida CPA firm with offices in Orlando, Melbourne and Titusville. We've been partnered with Florida Realtors for years working in their audit capacity and providing compliant services to them. And today I've been given the opportunity to share some information in response to the Coronavirus crisis that should help you manage the finances through this.

To get started, I am a CPA but I am also a fellow Realtor. I started my career in real estate, and eventually became a CPA and in my role here at Berman Hopkins, I provide advisory and consulting services. So my day to day role is helping businesses through challenges and have really jumped in with this opportunity to help people through the Coronavirus crisis.

I'm familiar with your business model and I understand some of the challenges you're going through. Right now you probably have reduced closings, reduce commissions and as a Broker, you're having reduced activity from your sales folks. So I want to review some of the opportunities you have right now to help with this cash flow.

First off, I'd look at any credit opportunities you already have. If you have an existing line of credit with your bank, now is the time to draw on that line of credit, at least put it in your account. It moves some risk to the bank and gives you some cash to work with to navigate this situation.

Additionally, you're probably familiar with the programs the government's put out regarding the SBA financing. It's Thursday the 23<sup>rd</sup>. Right now we're still waiting to see that the House passes it and gets the president to sign off on it for additional funds. But there is hope that the EIDL program with the SBA and the PPP program will be opening back up.

Let me jump into those, because I think those are the big opportunities and things that we should be, given the time of how quick they filled up first, I think everyone should jump into this as quick as they can and try to get ahead of it.

After that I'll talk through some other, just general cash flow management tips and things that I think you should do to help yourself through these challenging times.

Alright, let me share my screen.

Here we have a summary of the differences we have between the EIDL program and the PPP program. The EIDL is a disaster loan program managed by the SBA. The idea is to help people who can't get credit elsewhere. So, especially in this time when banks have locked up credit, for most Realtors and independent contractors, you would qualify for that.

The EIDL does require you to put up capital, depending on the amount and personal guarantee and does require e-payment, repayment.

The PPP loan is the one that's made a lot of news. So this is a direct loan from your bank, guaranteed by the SBA. There's no requirement that you go elsewhere first for credit, no collaterals or guarantee. And they allow a forgiveness aspect of this loan if you spend the funds on approved, documented expenses.

A lot has changed with these over the last couple weeks. The EIDL loan came out first as a \$10,000 grant up front. We've learned that it's gonna back, back to about \$1,000 per employee. And if you're a Broker with no payroll, but you're paying independent contractors, that advance up front may be limited. But there is the potential for the loan at the end of it, at the end of the application without the grant, so my suggestion is, if you're struggling, if you're seeing your sales go down, go to the SBA.gov site. Should open up, I would say this weekend or early next week if the law passes and put your application in for this. It can't hurt. Especially if you're seeing the effects of the business.

To go through some topics on it, the SBA website includes the application for it, SBA.gov, it should open up back there when it's reapproved. The terms of the loan. It's a 2 Million dollar maximum loan. We've seen numbers all over the board. It's really going to be based on what your economic injury is. So a way to look at that is, hey, what were my sales and commissions in January of 2019 versus what they were in 2020? That's the way they're really measuring what the economic injury to you is. You can use these funds to pay any of your fixed obligations. Your rent on your building, a mortgage you have that's business-related. You can pay payroll. And you can pay utilities and vendor and bills. If you're an independent contractor, you can pay for other business expenses, as long as it's related to the business.

Eligibility. Under 500 employees. Most of our brokerages will be under that. Again you have to remember that a brokerage with independent contractors is treated a little bit differently.

Ineligible uses. The goal of this is to keep your business open, not to pay yourself a bonus or to take out a big distribution. Really pay business loans. And you can have a PPP loan and an EIDL loan, you just can't use the money for the same exact purpose. We'll talk about that in a few minutes in regard to tracking the funds. But I think a lot of the focus will be on this PPP program, but I want to make sure that you know that the EIDL is out there, and it's worthwhile to spend the time to make the application.

Some of the documents for your EIDL application. This is an SBA program so it's pretty well specified what you need. You need an SBA loan application. You're gonna need a personal financial statement. I've put the form numbers here, so if you want to pause the video and write these down. You can go download those from the SBA and start working on them and be ready for the application to open up. You're going to have a

schedule of liabilities. They want to know what other debt you have. You have to have a form to let them access your tax returns. And you're going to have to give them a copy of your most recent tax return.

Additional requirements. They may ask you for a year-to-date profit and loss statement. It may also be handy to have the prior year and that helps with the economic injury. With the additional requirements there's a form 1368. That's the monthly sales figures. I'd pull that form down and have it ready so you can show the comparison. Also to note on your tax returns. If a 2019 tax return has not been filed, then it would be beneficial to have a year-end profit and loss and a balance sheet that covers 2019.

Now on to the loan that I think, it's gotten the most news and that's because it's been funded the fastest. The banks took care of this and funded it. A lot of this information I prepped when it first came out, so I've updated it for the additional \$310 Billion dollars that's pending.

As a Realtor and a Broker, you're often gonna fall in the line of the independent contractor or the self-employed application for this. The business application for it really focused on having payroll and keeping paychecks going to your employees. So, if all of your agents are independent contractors, they will want to apply for themselves based on their tax return and you apply based on your tax return.

One of the tough aspects is if you're an S Corp as a Broker, and not paying yourself much payroll, it may limit your PPP amount, so you want to be wary of that as you approach this loan. But to summarize where to find a lender, the best place to go is your business bank. They've had time now, hopefully when this second round open up, they've been a little prepared and can get your loans through faster. The big thing was transferring the documentation from the banks to the SBA and grabbing you a number, called an e-tran number up at the SBA. That's how they ran out of the 349 billion, is because they had too many kind of claims on the funds. Hopefully this 310, extra 310 billion that they're working to push through both sides of the House and the president's desk should help with that.

Some tips. Like I said, go to your business bank first. We've all read the news. Community banks seem to be doing better. So if you have someone in your community, at a community bank that can help you with this, and you're typically using a big bank, I mean it may be worth it to approach them. But my suggestion is, if you have a bank you work with, go to them first.

Alternatively, there's other services out there. I don't want to endorse any of them but the Lendio, the Kabbage, some of those small business funding websites have PPP loans in play. They're brokering them out to lenders, but it's worthwhile. You'll even see PayPal square. QuickBooks has their own version, so there are other opportunities. But first I'd go to your bank.

Also at the bottom of the video I've listed the top SBA vendors, so that's another handy list. These folks have been historically doing SBA loans, they know how to get these loans done.

Going into the actual PPP loan, uh, the loan amount, they've put it up to \$10 Million dollars. The real piece is based on two and a half times average monthly payroll. Want to clarify here, they came out with a new calculation for independent contractors. If you're familiar with an independent contractor, you file a Schedule C within in your 1040 personal tax return.

The new way of calculating this loan amount for independent contractors, which most Realtors are, is your Schedule C has a line 31. That is your net profit for the year. So probably your commissions will be at the top as your income. You wrote off business expenses, your vehicle your home office your marketing expenses and came down to your net profit at the end. What they're doing for independent contractors is, you divide that net profit by 12, and then multiply it by two point five to get to your loan amount. So, and there's a maximum of \$100,000. So, if you made more than a hundred, you come back down to a hundred, divide it by 12, multiply it by two and a half, comes out right around \$20,000 would be your maximum loan for a single person independent contractor. If you made under a hundred thousand the same thing applies. But you'll come up with your own loan amount. The key to that number is your line 31 from your Schedule C on your 1040 tax return.

One thing we've also learned, because of the tax extension, if you haven't filed your 2019 return, a draft of your 2019 Schedule C will work. So work out to your tax preparer. See if they can quickly draft that for you. If you prepare your own taxes, go ahead and fill out that form. That draft form can be used in place of a filed 2019 form.

Quickly the terms, it's a 1% loan. It'll be due in two years, and you can pay it off early. So if you can't use the funds, you can pay your bank back. Allowed uses. You can pay yourself payroll costs. You can pay rent on your business facilities. Mortgage interest on business debt. And pay for your utilities.

Again payroll costs, like we said, you calculate that \$20,000 per a hundred grand for the piece. They will let you take eight weeks. So they will let you apply, I think it's around \$15,800 towards wages for yourself, the remainder would have to be used on rent, utilities to get a fully forgivable loan.

Going down a little bit more. The form is a 2483, all banks are using that. I'll show it to you later. That's the form you'll need to apply. Again the forgiveness aspect is a big piece of this. The goal is, they will forgive what you've spent for eight weeks after you fund the loan. Like I said, it's two months of payroll out of the calculations and along with utilities and rent and interest on business debt.

Here's the top of the 2483 loan. These are the big pieces that you'll need to be focused on. At the top you'll see, how do I choose what type of entity I am? You'll give them your business legal name, tax I.D. number and your contact information. The three major keys here are, average monthly payroll. So this is the divided by 12 number. They say payroll if you have payroll and wages through a payroll provider. Or this is your line 31 from your Schedule C divided by 12. Now you multiply that by two and a half. They also want to know if you have an EIDL loan before the PPP loan that you'd like to roll into here. That's a detailed calculation so I'd reach out to your bank on that. And also your number of employees. This may be one if you're an independent contractor.

You go ahead and tell them what you want to use the loan for on this form. And then down further on the bottom of this form there's a bunch of certifications. Just kinda making sure you haven't defaulted on loans before, you don't have a criminal history, and you have to certify that you had an economic uncertainty. There's a lot of media writing about that, getting the loan and not having any issues. Just be aware when you're certifying to this, you're saying there's economic uncertainty in your business for this year, based on the Coronavirus.

Some trending questions. What are your payroll costs? Again this focuses more on if you are a business with employees so maybe you're a Broker and you've got your Admin staff that you're paying W2 wages to. You'll be able to include their compensation paid in salary and wages. You'll get to include anything, PTO. Also benefits. If you're providing group healthcare benefits you'll be able to factor in your payroll number. And payment of state taxes. We're Florida Realtors, so our state taxes are really just state unemployment taxes.

How much can be forgiven? Up to the full principal amount if you use it for approved purposes. In that example of the hundred thousand, the full \$20,800 can be forgiven, if you have expenses beyond that two months of wages to pay for. Again not more than 25% can be used for non-payroll costs. The whole function of this is, they want you to move this into employee's pockets or move into your pockets or replace a wage. They don't want the majority just being spent on rent, utilities and other.

Do independent contractors count as employees for the purposes of PPP loan calculations? I've had this question a lot from the Brokers. Because the independent contractors are not employees for the Broker's PPP loan. Again, each agent, if they're an independent contractor, they will be applying for the PPP loan on their own.

The Broker, your option, depending on how you're taxed, and work with your tax preparer, is the business, and employees you're paying, or yourself as an independent contractor receiving your net profit. Understandably your net profit may be your Broker's portion of agent commissions. But, this is a big one, we've been getting questions from the Realtors we've been working with, and Brokers on how they calculate it.

So, just keep that in mind as you work toward this loan and you work with your bank. Your bank will be able to help with this. Understand where you fall with having employees versus being an independent contractor. I hope that's helpful with the PPP loans and the EIDLs and what financing is out there available for you right now.

Beyond that, I think the big thing is to help manage your cashflow by managing your expenses. In this time it's good to comb through your subscriptions, your marketing anything that you can really cut right now to manage your cashflow while you wait for this loan and while you use this loan.

Other things may be, negotiating with your landlord on your brokerage office or if you're renting your office yourself as the Realtor. Some ideas that we've had that have been successful. Asking if you can pay half rent for three months and kind of catch up on it later. Another thing is saying, hey I will extend my lease beyond the current date, if you give me three months break right now in rent, I'll add three months on at the end. So those are some ideas we've had.

Other ones being, if you have vendors that you owe cash to at this time, you're getting up on the due date of it, maybe ask them if they'll take a credit card. Hopefully they don't charge the fee, but if they'll take a credit card for you, I don't want you to go into more credit card debt, but the benefit of it, that gets you another 45 days. That gets you hopefully through some more closings, bring some cash in the door to help pay that credit card bill.

And I think this is a time that we really drill down. What are we spending our money on? Do we have free marketing programs? Are we paying for extra features on our website that we're not using? Just really dive in and look at your vendors. I know this is a very tough time, but it gives us an opportunity to come back as a stronger business after this.

So I hope these have been helpful to you. I know this is a difficult time. We hope that the market keeps up. That closings keep moving along. But these are some great options to help you get through the time when cash flow is reduced.

Thank you for joining us today. We're here to support Florida Realtors and we appreciate your attendance.