

PPP LOAN FORGIVENESS INFORMATION

PPP Loan Forgiveness Basics

A borrower may submit a loan forgiveness application

- After Funds have been expended (8-24 weeks).
- Within 10 months from the last day of the covered period.

There are two loan forgiveness applications available (Form 3508 or Form 3508EZ)

- If at least one of the requirements from the checklist on the 3508EZ instruction form is met, then this form should be used.
- If none of the requirements are met, the 3508 form should be used.

If a borrower does not apply for loan forgiveness within 10 months after the last day of the covered period, or if the Small Business Administration (SBA) determines that the loan is not eligible for forgiveness (in whole or in part), the PPP loan is no longer deferred and the borrower must begin paying principal and interest.

PPP Loan Forgiveness Process

1. Within 60 days of receiving the completed application, the Bank must issue a decision to the SBA.
2. No later than 90 days after the lender issues its decision to SBA, the SBA, subject to any SBA review of the loan or loan application, will remit the appropriate forgiveness amount to the Bank, plus any interest accrued through the date of payment.
3. The Bank notifies the Borrower of the forgiveness amount.
4. Any remaining balance due is repaid within the terms of the Note.

Covered Period & Payroll Schedules

- The Covered Period begins on the date the funds were disbursed.
- Alternative Covered Period (ACP) begins on the first day of the next pay period after disbursement.
- In no event may the Covered Period or the ACP extend beyond December 31, 2020.
- The ACP is either:
 - The 24-week (168-day) period effective on the PPP loan disbursement date, **OR**
 - If Borrower received PPP loan before June 5, 2020, they may elect to use an 8-week (56-day) covered period.
- ACP can only be used for Weekly and Biweekly pay periods.

A MINIMUM OF 60% OF THE PPP LOAN PROCEEDS MUST BE USED FOR ELIGIBLE PAYROLL COSTS FOR THE FULL AMOUNT OF THE PPP LOAN TO BE ELIGIBLE FOR FORGIVENESS.

Eligible Payroll Costs

- Salary, wages, commissions, bonus or similar compensation, cash tips or the equivalent.
- Payment for vacation, parental, family, medical or sick leave.
- Employer payment for employee benefits consisting of group health care coverage, including insurance premiums and retirement contribution.
- Payment of state and local taxes assessed on compensation of employees.

The maximum amount that can be included in cash compensation per employee is:

- \$15,385 for 8-week Covered Period (8 weeks of \$100,000 annualized)
- \$46,153 for 24-week Covered Period (24 weeks of \$100,000 annualized)

The maximum amount that can be included in payroll costs per owner-employee or self-employed is the lesser of:

- \$15,385 for 8-week Covered Period (8 weeks of \$100,000 annualized)
- \$20,833 for 24-week Covered Period (2.5 months of \$100,000 annualized)
- 2.5 times 2019 average monthly salary

Employers cannot include 1099 employees as part of payroll costs in the forgiveness calculation.

Payroll Documentation Required to Submit:

(Described in greater detail in each Application Instruction Form)

- Third-party payroll service provider reports or Bank account statements
- 941 Reports
- State & local employee wage reports
- Health insurance & Retirement expenses
 - Account statements & receipts, **OR**
 - Invoices & canceled checks

ELIGIBLE NON-PAYROLL COSTS CANNOT EXCEED 40% OF THE TOTAL FORGIVENESS AMOUNT.

Eligible Non-Payroll Costs

- **Covered Mortgage Obligations:** Payments of mortgage interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020
- **Covered Rent Obligations:** Business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020
- **Covered Utility Payments:** Business payments for a service for the distribution of electricity, gas, water, telephone, transportation, or internet access for which service began before February 15, 2020

Non-Payroll Documentation Required to Submit:

(Described in greater detail in each Application Instruction Form)

- **Interest of mortgage obligations**
 - Account statements
 - February 2020 and Covered Period and one month afterwards, **OR**
 - Amortization schedule & receipts/canceled checks
- **Business rent/lease for real or personal property**
 - Account statements
 - February 2020 and Covered Period and one month afterwards
 - Lease Agreement and receipts/canceled checks
- **Utility payments**
 - Account statements
 - Invoices for February 2020 and Covered Period
 - Receipts/canceled checks

Additional Items to Keep in Mind

- Additional resources and information, including PPP FAQ's and Interim Final Rules are available online at <http://www.sba.gov> and <http://www.treasury.gov>.
- In the event of any discrepancies between the information contained herein and the SBA's site, please follow the official SBA guidance.
- Borrowers are strongly encouraged to provide supporting spreadsheets which reconcile all categories of costs. Processing could be delayed if the Bank has difficulty finding, comparing and verifying amounts in the documentation to the costs submitted in the application.
- **THE BORROWER IS REQUIRED TO RETAIN ALL SUPPORTING DOCUMENTATION IN ITS FILES FOR SIX (6) YEARS AFTER THE DATE THE LOAN IS FORGIVEN OR REPAYED IN FULL.**

17 August 2020