



U.S. Small Business  
Administration

# Paycheck Protection Program (PPP)

## Forgiveness Overview for Borrowers

*Presented by the Iowa District Office*

December 3, 2020

# CARES Act

## Created Small Business Emergency Capital & Payment Relief

### Paycheck Protection Program

- Keep workers on payroll
- Up to \$10 million
- Forgivable loan if 60% used for payroll costs

**PROGRAM CLOSED  
(UNLESS REAUTHORIZED  
BY CONGRESS)**



### Economic Injury Disaster Loan Advance

- Up to \$10,000 Advance
- No repayment
- Joint online application with Economic Injury Disaster Loan

**FUNDING NO LONGER  
AVAILABLE**



### SBA Debt Relief on 7a and 504 loans

- For existing 7a and 504 loans approved prior to March 27, 2020
- For new 7a and 504 loans approved after March 27<sup>th</sup> through September 27<sup>th</sup>
- SBA will make six months of loan payments

**FUNDING NO LONGER  
AVAILABLE**



# Paycheck Protection Program

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.

SBA will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses.

**(PPP closed on August 8, 2020)**

***Lenders and borrowers are now focused on the Forgiveness Phase of the Program.***



# Paycheck Protection Program

In just six days, the SBA, in coordination with the Treasury Department, built and launched the largest economic response program aimed at small businesses in American history – the Paycheck Protection Program (PPP).

Within a matter of weeks, the program approved more than \$525 billion in forgivable loans to small businesses and nonprofits. PPP loans supported five million impacted small businesses viable, buying them time and giving them the financial certainty, they needed to adapt to a changing economic environment.

- 27% of the PPP loan dollars were made in low-and moderate-income communities which is in proportion to the percentage of population in these areas:
- 25% of PPP loan dollars went to small businesses and non-profits located in historically underutilized business zones (HUBZones).
- 15% of PPP loan dollars went small businesses and non-profits located rural areas.

# Paycheck Protection Program

61,429 PPP Loans in Iowa for  
\$5,124,086,827



For more information and national loan reports please visit:

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>.



# PPP Forgiveness



# PPP Flexibility Act (June 5<sup>th</sup>)

## *Important Changes to PPP Program Affecting Forgiveness*

- Extended the deferment period from the original six months to 10 months after the end of the borrower's covered period. *(No payments on the loan if you've applied for forgiveness prior to the end of the deferment period and until SBA remits the loan forgiveness amount to your lender or determines that forgiveness is declined).*
- Extended the covered period from 8 weeks to 24 weeks *(borrowers may still elect 8 weeks as their covered period).*
- Extended the maturity from 2 years to 5 years on loans approved on or after June 5<sup>th</sup> *(for loans approved prior to June 5<sup>th</sup>, maturity can be extended to five years provided both borrower and lender agree to the change).*
- Maximum payroll costs per **employee**: \$15,386 for 8-week period, or \$46,154 for 24-week period.
- Maximum payroll costs per **owner employee/self-employed**: \$15,386 for 8-week, or \$20,833 for 24-week period.

# PPP Forgiveness

Paycheck Protection Program (PPP) Borrowers may be eligible for loan forgiveness if the funds were used for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities during either 8- or 24-week covered period after disbursement.

A borrower can apply for forgiveness once it has used all loan proceeds for which the borrower is requesting forgiveness. Borrowers can apply for forgiveness any time up to the maturity date of the loan. If borrowers do not apply for forgiveness within 10 months after the last day of the covered period, then PPP loan payments are no longer deferred and borrowers will begin making payments on their loan.



# PPP Forgiveness

## *Payroll Costs - What Can Be Forgiven?*

**To be eligible for full forgiveness, 60% of the PPP must be used for payroll costs (*you can use more than 60%, but 60% is the minimum*).**

- Compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips).
- Payment for vacation, parental, family, medical, or sick leave.
- Allowance for separation or dismissal.
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement.
- Payment of state and local taxes assessed on compensation of employees and for an independent contractor or sole proprietor.
- Wage, commissions, income, or net earnings from self-employment or similar compensation.

# PPP Forgiveness

## *Non-Payroll Costs - What Can Be Forgiven?*

**To be eligible for full forgiveness, no more than 40% of a PPP can be used for non-payroll costs (*You don't have to use 40%, but that's the maximum*).**

- Covered mortgage obligations: Payments of 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, transportation, telephone, or internet access for which service began before February 15, 2020.
- Covered transportation costs: (e.g. fuel for business vehicles)

# PPP Forgiveness

## *How to Apply*

### How to Apply for Loan Forgiveness

#### **1. Contact your PPP Lender and complete the correct form**

Your Lender can provide you with either the SBA Form 3508, SBA Form 3508EZ, SBA Form 3508S, or a Lender equivalent.

The 3508EZ and the 3508S are shortened versions of the application for borrowers who meet specific requirements. Your Lender can provide further guidance on how to submit the application.



# PPP Forgiveness

## *How to Apply*

### 2. Compile your documentation

**Payroll** (provide documentation for all payroll periods that overlapped with the Covered Period or the Alternative Payroll Covered Period):



- Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
  - Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
  - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the borrower included in the forgiveness amount.

# PPP Forgiveness

## *How to Apply*

**Non-payroll** (for expenses that were incurred or paid during the covered period and showing that obligations or services existed prior to February 15, 2020):

- Business mortgage interest payments: Copy of lender amortization schedule and receipts verifying payments, or lender account statements.
- Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments.
- Business utility payments: Copies of invoices and receipts, cancelled checks or account statements.

This list of documents required to be submitted to the Lender is not all-inclusive. Please refer to [www.sba.gov/ppp](http://www.sba.gov/ppp) for a complete list of requirements, instructions and forms.

# PPP Forgiveness

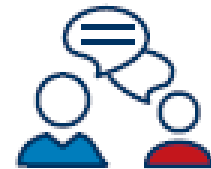
## *How to Apply*

### **3. Submit the forgiveness form and documentation to your PPP Lender**



Complete your loan forgiveness application and submit it to your Lender with the required supporting documents and follow up with your Lender to submit additional documentation as requested. Consult your Lender for additional guidance and provide requested documentation in a timely manner.

### **4. Continue to communicate with your Lender throughout the process**



If SBA undertakes a loan review of your loan, your Lender will notify you of the review and the SBA loan review decision. You have the right to appeal certain SBA loan review decisions. Your Lender is responsible for notifying you of the forgiveness amount paid by SBA and the date on which your first payment will be due, if applicable.

#### **Please Note:**

If applicable, SBA will deduct any EIDL advance amount you have received from the forgiveness amount remitted to the Lender, as required by section 1110(e)(6) of the CARES Act. Borrowers are required to retain certain documents for six years after the date the loan is forgiven or repaid in full.

*Questions? Contact your PPP Lender or find more information at [www.sba.gov/ppp](http://www.sba.gov/ppp)*

# PPP Forgiveness

## *Timelines*

- Borrowers have 10 months after the end of their covered period to submit their forgiveness application (*You do not have to wait until the end of the covered period to submit a forgiveness application. Borrowers can submit when all PPP funds have been utilized, but still must select either an 8 week or 24 week covered period at application*).
- The Lender has 60 days from receipt of a complete application to review the application and submit to SBA, using the SBA's Payroll Protections Forgiveness Platform.
- The SBA has 90 days to review the decision (*three decisions are possible: full forgiveness, partial forgiveness, full denial*) and remit the forgiveness funds to the lender.

# PPP Forgiveness

## *Decisions Resulting in a PPP Balance*

- SBA will deduct Economic Disaster Injury Loans (EIDL) Advance amounts from the forgiveness amount if borrowers have received a PPP Loan and an EIDL Advance.
- A portion of the loan may be considered ineligible for forgiveness
- SBA may determine that the borrower is ineligible for forgiveness.
- In these scenarios, lender is responsible for notifying the borrower.
- Any remaining balance must be repaid at 1% interest on or before the two-year or five-year maturity of the loan.



# PPP Forgiveness

## FAQs

*Which form do I use?*

- 3508S
- 3508EX
- 3508 (Revised/Long Form)

# Paycheck Protection Program

## Loan Forgiveness Application

**THREE Versions Now**

### SBA Form 3508 - “Revised Version”

- Broken into five components
  - Loan Forgiveness Calculation Form
  - Loan Forgiveness Application
  - PPP Schedule A (required)
  - PPP Schedule A Worksheet (required)
  - PPP Demographic Information Form (optional)



***Revised Application Form and Instructions available at:***

**[www.sba.gov/ppp](http://www.sba.gov/ppp)**

# Paycheck Protection Program

## Loan Forgiveness Application

### SBA Form 3508EZ - “EZ Version”

- Broken into three components
  - Loan Forgiveness Calculation Form
  - Loan Forgiveness Application
  - PPP Demographic Information Form (optional)



***“EZ” Form Application Form and Instructions available at:***

**[www.sba.gov/ppp](http://www.sba.gov/ppp)**

# Paycheck Protection Program

## Loan Forgiveness Application

### SBA Form 3508S - “Simplified Version”

- Broken into two components
  - Borrower Certification Form
  - PPP Demographic Information Form (optional)



***“Simplified” Form Application Form and Instructions available at:***

**[www.sba.gov/ppp](http://www.sba.gov/ppp)**

# Paycheck Protection Program

## Loan Forgiveness Application



### *Which Version Do I Use?*

Use SBA Form 3508S - “SIMPLIFIED VERSION” if:

- **Your PPP Loan Amount was \$50,000 or less**

SBA Form 3508S requires fewer calculations and less documentation for eligible borrowers. Borrowers that use SBA Form 3508S are exempt from reductions in loan forgiveness amounts based on reductions in full-time equivalent (FTE) employees or in salaries or wages. SBA Form 3508S also does not require borrowers to show the calculations used to determine their loan forgiveness amount. *However, SBA may request information and documents to review those calculations as part of its loan review process.*

**A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form. You must use either the 3508EZ or the 3508 “Revised” Application.**

# Paycheck Protection Program

## Loan Forgiveness Application



### *Which Version Do I Use?*

**Use SBA Form 3508EZ - “EZ VERSION” if your loan is over \$50,000 and you meet **ONE** of the following:**

- Are self-employed and have no employees; *OR*
- Did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the number or hours of their employees; *OR*
- Experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%.

***If you do not meet **ONE** of the above standards, you must use the 3508 “Revised” Application.***

# Paycheck Protection Program



## Loan Forgiveness Application

### ***When and Where to Submit***

- Borrowers initiate forgiveness process with their lender by submitting the appropriate application. Borrowers have ten months from end of covered period to submit to lender, but may submit before end of covered period if all PPP funds have been used on eligible uses of proceeds.
- Lender has 60 days after submission of a *complete* forgiveness application to process paperwork and verify information before transferring to agency.
- SBA then has 90 days to accept, reject or seek further information on a borrower's forgiveness application.

# Paycheck Protection Program

## Loan Necessity Questionnaire for loans over \$2 million



- The Loan Necessity Questionnaire is being required of all PPP borrowers who, together with their affiliates, received loans of \$2 million or more. There is one questionnaire for For-Profits (SBA Form 3509) and one for Non-Profits (SBA Form 3510).
- Lenders will receive notification of a loan review via the Forgiveness Platform Inbox. The notification will state whether a Borrower is required to fill out a Loan Necessity Questionnaire. Lenders will then download the appropriate Questionnaire (for-profit or non-profit) from the Platform Resources page and send it to the Borrower within 5 days after receiving the notification. After receiving the Questionnaire from the borrower, lenders will then submit it via the platform.



# PPP Forgiveness

## FAQs

### How do I calculate FTE?

There are two ways SBA and Treasury will allow you to calculate FTE for forgiveness purposes.

For each employee, for the appropriate period (Covered or Alternative Covered)

*1. Take the average number of hours paid per week, divide by 40, and round the total to the nearest tenth.*

- The maximum for each employee is capped at 1.0.*

*2. Or, simply assign a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours.*

# PPP Forgiveness

## FAQs

*What effect does a borrower's reduction in employees' salary or wages have on the loan forgiveness amount?*

If the reduction is in excess of 25% it will generally result in a reduction in the loan forgiveness amount. The calculation is performed on a per employee basis, not in the aggregate.

# PPP Forgiveness

## FAQs

**FTE Reduction Exception** - There are certain situations where you can exclude an employee from the FTE calculation.

These situations include:

1. If you made a good-faith, written offer to rehire an employee who was employed on February 15, 2020, and you weren't able to hire a similarly qualified employee before December 31, 2020.
2. If you made a good-faith, written offer to restore reduced hours of an employee during the Covered Period or the Alternative Payroll Covered Period and they rejected it.

# PPP Forgiveness

## FAQs

### **FTE Reduction Exception** – *(continued)*

3. If during the Covered Period or Alternative Covered Period you fired an employee for cause, the employee voluntarily resigned, or voluntarily requested and received a reduction of hours.

# PPP Forgiveness

## FAQs

### What is the maturity date of a PPP loan?

If a PPP loan received an SBA loan number on or after June 5, 2020, the loan has a five-year maturity. If a PPP loan received an SBA loan number before June 5, 2020, the loan has a two-year maturity, unless the borrower and lender mutually agree to extend the term of the loan to five years.

# PPP Forgiveness

## FAQs

### Will SBA Audit my PPP Loan?

At this time, only loans of over \$2 million will be automatically audited by SBA. However, SBA reserves the right to audit any PPP loan at any time.

# PPP Forgiveness

## FAQs

*How long should I keep my PPP related documents?*

Borrowers are required to keep ALL PPP related documents, including payroll documents, for six years.

# PPP Forgiveness

## FAQs

### *For additional questions*

- Visit the FAQ on Forgiveness at:  
[www.sba.gov/document/support-frequently-asked-questions-ppp-loan-forgiveness](http://www.sba.gov/document/support-frequently-asked-questions-ppp-loan-forgiveness)
- **Reach out to your lender.** If they are unable to answer the question, they have a mechanism for requesting an answer from SBA.





# Questions?

[www.sba.gov/ppp](http://www.sba.gov/ppp)

**SBA Des Moines District Office**  
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**SBA Cedar Rapids Branch Office**  
**(319) 362-6405**