

## Changes to the First Loan Forgiveness Rule

- What is the general process to obtain loan forgiveness?
  - Deferral Period and Forgiveness
- When must a borrower apply for loan forgiveness or start making payments on a loan?
- Payroll Costs Eligible for Loan Forgiveness
- When must payroll costs be incurred and/or paid to be eligible for forgiveness?
- Nonpayroll Costs Eligible for Loan Forgiveness
- Are there caps on the amount of loan forgiveness available for owner/employees and self-employed individuals' own payroll compensation?
- When must nonpayroll costs be incurred and/or paid to be eligible for forgiveness?

### **Reductions to Loan Forgiveness Amount**

- Will a borrower's loan forgiveness amount be reduced if the borrower reduced the hours of an employee, then offered to restore the reduction in hours, but the employee declined the offer? No. In calculating the loan forgiveness amount, a borrower may exclude any reduction in full-time equivalent employee headcount that is attributable to an individual employee if: i. The borrower made a good faith, written offer to restore the reduced hours of such employee; ii. the offer was for the same salary or wages and same number of hours as earned by such employee in the last pay period prior to the reduction in hours; iii. the offer was rejected by such employee; and iv. the borrower has maintained records documenting the offer and its rejection.

Changes to the First Loan Review Rule a. Alternative Loan Forgiveness Application The First Loan Review Rule informs borrowers and lenders of SBA's process for reviewing PPP loan applications and loan forgiveness applications. Because SBA has issued an alternative Loan Forgiveness Application, SBA Form 3508EZ, the following changes are necessary.

Parts III.1.b and III.1.e are revised by striking each reference in those sections to "SBA Form 3508 or lender's equivalent form" and replacing it with "SBA Form 3508, 3508EZ, or lender's equivalent form". b.

The Loan Forgiveness Process for Lenders As noted above, SBA has issued an alternative Loan Forgiveness Application Form, SBA Form 3508EZ. Further, Section 3(b)(2) of the Flexibility Act reduced, from 75 percent to 60 percent, the portion of PPP loan proceeds that must be used for payroll costs for the full amount of the PPP loan to be eligible for forgiveness. As set forth below, these developments necessitate several revisions to Part III.2 of the First Loan Review Rule. 25 Part III.2.a. is revised to read as follows:

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- What should a lender review?
- When a borrower submits SBA Form 3508 or lender's equivalent form, the lender shall:
  - Confirm receipt of the borrower certifications contained in the SBA Form 3508 or lender's equivalent form.

- ii. Confirm receipt of the documentation the borrower must submit to aid in verifying payroll and nonpayroll costs, as specified in the instructions to the SBA Form 3508 or lender's equivalent form.
- iii. Confirm the borrower's calculations on the borrower's SBA Form 3508 or lender's equivalent form, including the dollar amount of the (A) Cash Compensation, Non-Cash Compensation, and Compensation to Owners claimed on Lines 1, 4, 6, 7, 8, and 9 on PPP Schedule A and (B) Business Mortgage Interest Payments, Business Rent or Lease Payments, and Business Utility Payments claimed on Lines 2, 3, and 4 on the PPP Loan Forgiveness Calculation Form, by reviewing the documentation submitted with the SBA Form 3508 or lender's equivalent form.
- iv. Confirm that the borrower made the calculation on Line 10 of the SBA Form 3508 or lender's equivalent form correctly, by dividing the borrower's Eligible Payroll Costs claimed on Line 1 by 0.60. When the borrower submits SBA Form 3508EZ or lender's equivalent form, the lender shall: