

PPP Loan Suggestions & Reminders

Congress reached an agreement to replenish the funding for the PPP program last week.

While borrowers wait for additional guidance and clarifications on the PPP loan program, we wanted to address some common questions and reminders for those that receive loan funding.

Best Practices

- Budget your expenses for the 8-week period post-funding and monitor your actual expenses against these figures periodically to avoid unpleasant surprises
- Maintain separate bank account and general ledger accounts to track inflow and outflow of PPP loan funds
- Political rumblings over the weekend suggest more stringent forgiveness policies may be forthcoming. We suggest a well-documented and conservative approach to the PPP loan program.

Expenses Incurred & Paid During 8-Weeks Post-Loan

- FAQ guidance from the SBA confirms that the 8-week period for measuring forgivable expenses begins on the date of PPP loan disbursement
- The CARES Act bill-text measures the expenses during the 8-week period based on expenses incurred and paid during this timeframe
- Absent further guidance, we suggest borrowers only include expenses associated with the 8-week period and paid by the end of this period. To be conservative, do not include payments of payables originating before the 8-week period or prepaids originating after the 8-week period, in your forgivable expenses calculation.
- Consider planning for a special payroll payable before the end of the 8-week period.

Forgiveness & FTE Count

- The CARES Act bill-text "suggests" that a borrower that restores FTE count to 2/15/20 levels by 6/30/20 avoids any reduction to loan forgiveness for decrease in FTE as a result of COVID-19. This exemption would presumably relieve the borrower from comparing the post-funding 8-week FTE average against pre-COVID-19 periods.
- Until SBA/Treasury releases additional guidance clarifying this "6/30/20 exemption" we strongly recommend borrowers continue to assume that the average FTE count for the 8-week period following PPP loan disbursement will directly impact the amount of loan forgiveness. Accordingly, borrowers should attempt to restore FTE count during this timeframe.

Rent Expense

- Reminder: rent expense may only be treated as a forgivable expense if the rent was paid subject to a leasing agreement in force before 2/15/20
- We suggest that borrowers locate their lease agreements and follow the payment terms as specified