



U.S. Small Business
Administration

PPP Loan Forgiveness Overview

Key Items for Lenders & Borrowers

- What the Economic Aid Act Means for us Now
- Loan Forgiveness Key Items
 - Payroll Costs
 - Non-Payroll Costs
 - Covered Periods
 - Time Frames / New Forgiveness Applications
 - FAQs

Forgiveness Data – Number of Loans

As of May 24, 2021

Total 2020 PPP volume	5.2 million
Forgiven	3.3 million
Amount not forgiven	-
Under review	145k
Applications not yet received	1.7 million

Forgiveness by Dollar Amount

As of May 24, 2021

Total 2020 PPP volume	\$521.2 billion
Forgiven	\$279.4 billion
Amount not forgiven	\$1.0 billion
Under review	\$81.5 billion
Applications not yet received	\$159.1 billion

PPP Loan Forgiveness Overview

The Economic Aid Act, effective 12/27/20

- On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) was enacted, extending the authority to make PPP loans through March 31, 2021 (now extended), revising certain PPP requirements, and permitting second draw PPP loans.
- A subsequent Interim Final Rule was issued by the SBA on [02/05/2021](#)
- IFR: Business Loan Program Temporary Changes; Paycheck Protection Program-Loan Forgiveness Requirements and Loan Review Procedures as Amended by Economic Aid Act

PPP Loan Forgiveness Overview

IFR

- *Effective date:* Unless otherwise specified in the Economic Aid Act, the provisions of this interim final rule are effective February 3, 2021.
- *Applicability date:* This interim final rule applies to Paycheck Protection Programs loans for which a loan forgiveness payment had not been remitted by SBA as of December 27, 2020.
- www.sba.gov/ppp
- [Loan Forgiveness Requirements and Loan Review Procedures as Amended by Economic Aid Act](#)

PPP Loan Forgiveness

The Economic Aid Act, effective 12/27/20

- Flexibility Act (June 5, 2020) states at least **60%** of funds must be used for employer payroll costs for loan forgiveness
- The Flexibility Act (June 5, 2020) allows for up to **40%** of your PPP funds to be spent on non-payroll costs
- Reinforced in the Economic Aid Act
- Loan forgiveness to be applied for within 10 months after the last day of the covered period or it converts to a loan
- Payments on the loan start **10 months** after the end of the Covered Period

PPP Loan Forgiveness

The Economic Aid Act, effective 12/27/20

Covered Periods

- The covered period is the period beginning on the date the lender disburses the PPP loan and ending on a date selected by the borrower that occurs during the period
- Beginning on the date that is 8 weeks after the date of disbursement, and
- Ending on the date that is 24 weeks after the date of disbursement.

The covered periods for a First Draw PPP Loan and a Second Draw PPP Loan cannot overlap; the borrower must use all proceeds of the First Draw PPP Loan for eligible expenses before disbursement of the Second Draw PPP Loan.

Payroll Costs

What is an eligible expense for forgiveness?

Payroll costs consist of 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 or group life, disability, vision, or dental insurance, including insurance premiums, and retirement;
- payment of state and local taxes assessed on compensation of employees;

For an independent contractor or sole proprietor, wages, commissions, income, or net/gross earnings from self-employment, or similar compensation.

Payroll costs that are qualified wages taken into account in determining the Employer Retention Credit are not eligible for loan forgiveness.

Non-Payroll Expenses

What is an eligible expense for forgiveness?

- Interest payments on any business mortgage obligation on real or personal property that was incurred before February 15, 2020 (but not any prepayment or payment of principal).
- Payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020.
- Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.
- Covered operations expenditures.

Non-Payroll Expenses Continued

What is an eligible expense for forgiveness?

- Covered property damage costs
- Covered supplier cost:
 - An expenditure made by a borrower to a supplier of goods that are essential to the operations of the borrower at the time at which the expenditure is made
- Covered worker protection expenditures:
 - An operating or a capital expenditure to help a business adapt to requirements established or guidance issued by the Department of Health and Human Services, the Centers for Disease Control, or the Occupational Safety and Health Administration.

Non-Payroll Expenses

What is an eligible expense for forgiveness?

May include:

The purchase, maintenance, or renovation of assets that create or expand—

- A drive-through window facility;
- An indoor, outdoor, or combined air or air pressure ventilation or filtration system;
- A physical barrier such as a sneeze guard;
- An expansion of additional indoor, outdoor, or combined business space;
- An onsite or offsite health screening capability

Does not include residential real property or intangible property

PPP Loan Forgiveness

What is an eligible expense for forgiveness?

For borrowers that are individuals with self-employment income who file a form 1040, Schedule C or F, what amounts are eligible for forgiveness?

- Payroll costs including salary, wages, and tips, up to \$100,000 of annualized pay per employee, (maximum per individual is \$100,000 prorated for the covered period, *e.g.*, for an 8-week covered period a maximum of \$15,385 and for a 24-week covered period a maximum of \$46,154)
- As well as covered benefits for employees (but not owners)

PPP Loan Forgiveness

Key Points on the Interim Final Rule

- Eligible nonpayroll costs cannot exceed 40 percent of the loan forgiveness amount.
- A borrower may receive forgiveness for the nonpayroll costs described in the previous slides only if SBA had not yet remitted a forgiveness payment on the borrower's loan to the borrower's PPP lender as of December 27, 2020 (the date of the Economic Aid Act's enactment).

PPP Loan Forgiveness

Process

- Submit Forgiveness Application to your Lender
- Lender reviews – up to 60 days
- Lender will upload to SBA Forgiveness Portal
- SBA responds – *up to 90 days*
- SBA will not deduct EIDL Advance
- Lender notifies Borrower of the forgiveness amount
- Remaining balance due must be repaid within 2 or 5-year time frame

If PPP is reviewed by SBA the process may be different

If SBA determines in the course of its review that the borrower was ineligible for the PPP loan under the statute, the loan will not be eligible for loan forgiveness. The lender must notify the borrower of the forgiveness amount.

PPP Loan Forgiveness

Process for Loan Forgiveness

- To receive loan forgiveness on either a First Draw PPP Loan or a Second Draw PPP Loan, a borrower must complete and submit the Loan Forgiveness Application to its lender (or to the lender servicing its loan).
- For Second Draw PPP Loans in excess of \$150,000, the borrower must submit its loan forgiveness application for the First Draw PPP Loan before or simultaneously with the loan forgiveness application for the Second Draw PPP Loan, even if the calculated amount of forgiveness on the First Draw PPP Loan is zero.

PPP Loan Forgiveness

PPP Loan Forgiveness Forms

Forms Revised January 19, 2021:

- Paycheck Protection Program Loan Forgiveness Application Form 3508
- Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ
- Paycheck Protection Program PPP Loan Forgiveness Application Form 3508S
 - Use the form 3508S only if the borrower received a PPP loan of \$150,000 or less

PPP Loan Forgiveness Application Form 3508

Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application

Payroll: Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period consisting of each of the following:

- a. Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- b. Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period:
 - i. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
 - ii. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- c. Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee group health, life, disability, vision or dental insurance and retirement plans that the Borrower included in the forgiveness amount (PPP Schedule A, lines (6) and (7)).

FTE: Documentation showing (at the election of the Borrower):

- a. the average number of FTE employees on payroll per week employed by the Borrower between February 15, 2019 and June 30, 2019;
- b. the average number of FTE employees on payroll per week employed by the Borrower between January 1, 2020 and February 29, 2020; or
- c. in the case of a seasonal employer, the average number of FTE employees on payroll per week employed by the Borrower between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive 12-week period between February 15, 2019 and February 15, 2020.

The selected time period must be the same time period selected for purposes of completing PPP Schedule A, line 11. Documents may include 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. Documents submitted may cover periods longer than the specific time period.

PPP Loan Forgiveness Application Form 3508EZ

Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application Form 3508EZ

Payroll: Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period consisting of each of the following:

- a. Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- b. Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period:
 - i. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
 - ii. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- c. Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee group health, life, disability, vision or dental insurance and retirement plans that the Borrower included in the forgiveness amount.
- d. If you checked only the second box on the checklist on page 1 of these instructions, the average number of full-time equivalent employees on payroll employed by the Borrower on January 1, 2020 and at the end of the Covered Period.

Nonpayroll: For categories a-c, documentation verifying existence of the obligations/services prior to February 15, 2020 and, for all categories, eligible payments from the Covered Period.

- a. Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
- b. Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
- c. Business utility payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
- d. Covered operations expenditures: Copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
- e. Covered property damage costs: Copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments, and documentation that the costs were related to property damage and vandalism or looting due to public disturbances that occurred during 2020 and such costs were not covered by insurance or other compensation.
- f. Covered supplier costs: Copy of contracts, orders, or purchase orders in effect at any time before the Covered Period (except for perishable goods), copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
- g. Covered worker protection expenditures: Copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments, and documentation that the expenditures were used by the Borrower to comply with applicable COVID-19 guidance during the Covered Period.

PPP Loan Forgiveness Application Form 3508S

Documents that Each Borrower Must Maintain but is Not Required to Submit

Payroll: Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period consisting of each of the following:

- a. Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- b. Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period:
 - i. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
 - ii. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- c. Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee group health, life, disability, vision or dental insurance and retirement plans that the Borrower included in the Requested Loan Forgiveness Amount.

Nonpayroll: For categories a-c, documentation verifying existence of the obligations/services prior to February 15, 2020 and, for all categories, eligible payments from the Covered Period.

- a. Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
- b. Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
- c. Business utility payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
- d. Covered operations expenditures: Copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
- e. Covered property damage costs: Copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments, and documentation that the costs were related to property damage and vandalism or looting due to public disturbances that occurred during 2020 and such costs were not covered by insurance or other compensation.
- f. Covered supplier costs: Copy of contracts, orders, or purchase orders in effect at any time before the Covered Period (except for perishable goods), copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
- g. Covered worker protection expenditures: Copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments, and documentation that the expenditures were used by the Borrower to comply with applicable COVID-19 guidance during the Covered Period.

PPP Platform - Forgiveness

Forgiveness Submission

- The Paycheck Protection Platform can be accessed at forgiveness.sba.gov
- The Platform supports three methods of submission for forgiveness decisions:
 1. Lenders manually enter data and upload supporting documentation.
 2. Large Lenders connect via API and submit Decisions in bulk.
 3. Software Providers connect via API and submit Decisions on behalf of Lenders.
- Complete information on APIs can be found at <https://ussbaforgiveness.github.io>

Platform Help

Resources and Platform Inbox

- Lenders may access the “Resources” dashboard to access additional guidance for using the Platform.
 - In this dashboard, Lenders may view tutorial videos, frequently asked questions, and links to additional policy resources.
 - If Lenders have additional questions that cannot be answered via the Platform Resources, they may submit a message to the SBA via the Platform Inbox.
1. Click “Inbox” in the top banner.
 2. Click on “New Message.”
 3. Select a message category, draft, and submit message.

SBA Paycheck Protection Platform Lender Instructions

Forgiveness User Guide

- [PowerPoint Presentation \(sba-forgiveness-docs.s3-us-gov-west-1.amazonaws.com\)](https://sba-forgiveness-docs.s3-us-gov-west-1.amazonaws.com)
- SBA Paycheck Protection Platform Overview
- Account Management
- Submitting Forgiveness Decisions
- Monitoring Forgiveness
- Additional Resources

PPP Loan Forgiveness

PPP Loan Forgiveness Forms / Documentation Requirements

What documentation are borrowers who are individuals with self-employment income who file a form 1040, Schedule C or F required to submit to their lender with their request for loan forgiveness?

- For borrowers that received loans of \$150,000 or less that use the SBA Form 3508S, the borrower must submit the certification and information required by section 7A(l)(1)(A) of the Small Business Act and, for a Second Draw PPP Loan, revenue reduction documentation if such documentation was not provided at the time of application.
- All other borrowers must submit the certification required by section 7A(e)(3) of the Small Business Act, and (if the borrower has employees) Form 941 and state quarterly business and individual employee wage reporting and unemployment insurance tax forms or equivalent payroll processor records
- Whether or not the borrower has employees, the borrower must submit evidence to support non-payroll costs they are submitting

PPP Loan Forgiveness

FAQs

When must a borrower apply for loan forgiveness or start making payments on a loan?

- A borrower may submit a loan forgiveness application any time on or before the maturity date of the loan if the borrower has used all of the loan proceeds for which the borrower is requesting forgiveness.
- If the borrower does not apply for loan forgiveness within 10 months after the last day of the maximum covered period of 24 weeks, or if 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.
- If this occurs, the lender must notify the borrower of the date the first payment is due. The lender must report that the loan is no longer deferred to SBA on the next monthly SBA Form 1502 report filed by the lender.

PPP Loan Forgiveness

FAQs

When must payroll costs be incurred and/or paid to be eligible for forgiveness?

- In general, payroll costs paid or incurred during the covered period are eligible for forgiveness.
- Payroll costs are considered paid on the day that paychecks are distributed or the borrower originates an ACH credit transaction.
- Payroll costs generally are incurred on the day the employee's pay is earned (i.e., on the day the employee worked).
- For employees who are not performing work but are still on the borrower's payroll, payroll costs are incurred based on the schedule established by the borrower (typically, each day that the employee would have performed work).

PPP Loan Forgiveness

FAQs

Are there caps on the amount of loan forgiveness available for owner-employees and self-employed individuals' own payroll compensation?

- Yes. Forgiveness is capped at 2.5 months' worth (2.5/12) of an owner-employee or self-employed individual's 2019 or 2020 compensation (up to a maximum \$20,833 per individual in total across all businesses).
- The individual's total compensation may not exceed \$100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred.
- For example, for borrowers that elect to use an eight-week covered period, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at eight weeks' worth (8/52) of 2019 or 2020 compensation (i.e., approximately 15.38 percent of 2019 or 2020 compensation) or \$15,385 per individual, whichever is less, in total across all businesses.
- For borrowers that elect to use a ten-week covered period, the cap is ten weeks' worth (10/52) of 2019 or 2020 compensation (approximately 19.23 percent) or \$19,231 per individual.
- For a covered period longer than 2.5 months, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at 2.5 months' worth (2.5/12) of 2019 or 2020 compensation (up to \$20,833) in total across all businesses.

PPP Loan Forgiveness

FAQs

Are any individuals with an ownership stake in a PPP borrower exempt from application of the PPP owner-employee compensation rule when determining the amount of their compensation that is eligible for loan forgiveness?

- Yes, owner-employees with less than a 5 percent ownership stake in a C- or S-corporation are not subject to the owner-employee compensation rule in subsection IV.3.c. above.

May a fishing boat owner include as payroll costs in its application for loan forgiveness any compensation paid to a crewmember who received his or her own PPP loan and is seeking forgiveness for amounts of compensation the crewmember received for performing services described in Section 3121(B)(20) of the Internal Revenue Code with respect to that owner's fishing boat?

- No. If a fishing boat crewmember obtains his or her own PPP loan during the fishing boat owner's covered period and seeks forgiveness of that loan based in part on compensation from a particular fishing boat owner, the fishing boat owner cannot also obtain PPP loan forgiveness based on compensation paid to that same crewmember.
- The fishing boat owner is responsible for determining whether any of its crewmembers received their own PPP loans during the fishing boat owner's loan forgiveness covered period.

PPP Loan Forgiveness

FAQs

When must non-payroll costs be incurred and/or paid to be eligible for forgiveness?

- A nonpayroll cost is eligible for forgiveness if it was:
 - Paid during the covered period; or
 - Incurred during the covered period and paid on or before the next regular billing date, even if the billing date is after the covered period.
 - Example: A borrower that received a loan before June 5, 2020 uses a 24-week covered period that begins on June 1 and ends on November 15. The borrower pays its electricity bills for June through October during the covered period and pays its November electricity bill on December 10, which is the next regular billing date.
 - The borrower may seek loan forgiveness for its June through October electricity bills, because they were paid during the covered period. In addition, the borrower may seek loan forgiveness for the portion of its November electricity bill through November 15

PPP Loan Forgiveness

FAQs

Are advance payments of interest on mortgage obligations eligible for loan forgiveness?

- No. Also, principal on mortgage obligations is not eligible for forgiveness under any circumstances.

What does “full time equivalent employee” mean?

- Full-time equivalent employee means an employee who works 40 hours or more, on average, each week.

How should a borrower calculate its number of FTE employees?

- Borrowers seeking forgiveness must document their average number of FTE employees during the covered period and their selected reference period.
- If applicable, a borrower must perform this calculation for both its First Draw PPP Loan and Second Draw PPP Loan.
- For purposes of this calculation, borrowers must divide the average number of hours paid for each employee per week by 40, capping this quotient at 1.0. For example, an employee who was paid 48 hours per week during the covered period would be considered to be an FTE employee of 1.0.

PPP Loan Forgiveness

FAQs

What effect does a reduction in a borrower's number of full-time equivalent (FTE) employees have on the loan forgiveness amount?

- In general, a reduction in FTE employees during the covered period reduces the loan forgiveness amount by the same percentage as the percentage reduction in FTE employees.
- For both First Draw PPP Loans and Second Draw PPP Loans, the borrower must first select a reference period:
 - (i) February 15, 2019 through June 30, 2019;
 - (ii) January 1, 2020 through February 29, 2020; or
 - (iii) in the case of a seasonal employer, either of the two preceding methods or a consecutive 12-week period between February 15, 2019 and February 15, 2020.
- If the average number of FTE employees during the covered period is less than during the reference period, the total eligible expenses available for forgiveness is reduced proportionally by the percentage reduction in FTE employees.
- For example, if a borrower had 10.0 FTE employees during the reference period and this declined to 8.0 FTE employees during the covered period, the percentage of FTE employees declined by 20 percent and thus only 80 percent of otherwise eligible expenses are available for forgiveness.

PPP Loan Forgiveness

FAQs

What effect does a reduction in a borrower's number of full-time equivalent (FTE) employees have on the loan forgiveness amount? (continued)

- Borrowers are exempted from the loan forgiveness reduction arising from a proportional reduction in FTE employees during the covered period if the borrower is able to document in good faith the following:
 - (1) An inability to rehire individuals who were employees of the borrower on February 15, 2020; and
 - (2) an inability to hire similarly qualified individuals for unfilled positions on or before December 31, 2020 (or, for a PPP loan made on or after December 27, 2020, not later than the last day of the loan's covered period).
- Borrowers are required to inform the applicable state unemployment insurance office of any employee's rejected rehire offer within 30 days of the employee's rejection of the offer

PPP Loan Forgiveness

FAQs

What effect does a reduction in borrower's number of full-time equivalent (FTE) employees have on the loan forgiveness amount? (continued)

- Borrowers are also exempted from the loan forgiveness reduction arising from a reduction in the number of FTE employees during the covered period if the borrower is able to document in good faith an inability to return to the same level of business activity as the borrower was operating at before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020
- Or, for a PPP loan made on or after December 27, 2020, not later than the last day of the loan's covered period) by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention (CDC), or the Occupational Safety and Health Administration related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19 (COVID Requirements or Guidance).
- Specifically, borrowers that can certify to this are exempt from any reduction in their forgiveness amount stemming from a reduction in FTE employees during the covered period.

PPP Loan Forgiveness

FAQs

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:
- The borrower made a good faith, written offer to restore the reduced hours of such employee;
- 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;
- The offer was rejected by such employee; and
- The borrower has maintained records documenting the offer and its rejection.

PPP Loan Forgiveness

FAQs

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

- A reduction in an employee's salary or wages in excess of 25 percent will generally result in a reduction in the loan forgiveness amount, unless an exception applies.
- The total forgiveness is reduced by the total dollar amount of the salary or wage reductions that are in excess of 25 percent of base salary or wages of the employee
- This reduction calculation is performed on a per employee basis, not in the aggregate.

PPP Loan Forgiveness

FAQs

What effect does a borrower's reduction in employees' salary or wages have on forgiveness amount? (continued)

- Example: A borrower has elected to use an eight-week covered period. This borrower reduced a full-time employee's weekly salary from \$1,000 per week during the reference period to \$700 per week during the covered period.
- The employee continued to work on a full-time basis during the covered period, with an FTE of 1.0.
- In this case, the first \$250 (25 percent of \$1,000) is exempted from the loan forgiveness reduction. The borrower seeking forgiveness would list \$400 as the salary/hourly wage reduction for that employee (the extra \$50 weekly reduction multiplied by eight weeks).

PPP Loan Forgiveness

FAQ's / Best Practices

If a borrower restores reductions made to employee salaries and wages of FTE employees, can the borrower avoid a reduction in its loan forgiveness amount?

- Yes.
- Similarly, if a borrower eliminates any reductions in FTE employees occurring during the safe harbor period by December 31, 2020 (or, for a PPP loan made on or after December 27, 2020, by last day of the loan's covered period), the borrower is exempt from any reduction in loan forgiveness amount that would otherwise be required due to reductions in FTE employees.

PPP Loan Forgiveness

FAQs

We have a borrower who unintentionally submitted her forgiveness for \$2K less than the approved loan amount on the 3508S. The loan was fully forgiven minus the \$2K. Is there a way to request the remaining amount from SBA through the SBA Forgiveness Portal or is it too late if the borrower already received forgiveness?

- SBA is working on a process to correct loans in this type of situation, whether the inadvertent error was on the lender side or borrower side.
- From PPP Forgiveness Team:
 - “The Agency is currently working on guidance for lenders to make corrections to already paid forgiveness requests. **Once those procedures are published you can make your additional claim at that time.**”

PPP Loan Forgiveness

FAQs

If SBA determines that a borrower is ineligible for a PPP loan, can the loan be forgiven?

- No. If SBA determines that a borrower is ineligible for the PPP loan, SBA will direct the lender to deny the loan forgiveness application. An SBA determination that a borrower is ineligible for a First Draw PPP Loan may also result in an SBA determination that the borrower is ineligible for any Second Draw PPP Loan, and SBA may direct the lender to deny any loan forgiveness application submitted for the Second Draw PPP Loan.
- Further, if SBA determines that the borrower is ineligible for the loan amount or loan forgiveness amount claimed by the borrower, SBA will direct the lender to deny the loan forgiveness application in whole or in part, as appropriate.
- SBA may also seek repayment of the outstanding PPP loan balance or pursue other available remedies.

May a borrower appeal SBA's determination that the borrower is ineligible for a PPP loan or ineligible for the loan amount or the loan forgiveness amount claimed by the borrower?

- Yes. SBA has issued a separate interim final rule addressing this process

San Francisco and Sacramento District Offices

**For more information on SBA's
programs and services:**

U.S. Small Business Administration

Darrell Dante

Darrell.Dante@sba.gov

Marlow Schindler

Marlow.Schindler@sba.gov

www.sba.gov