
SBA

TJ2

APPLYING for LOAN FORGIVENESS

AGENDA

1. 7 KEY TOPICS TO UNDERSTAND
2. LOAN FORGIVENESS APPLICATION 3508 EZ
3. LOAN FORGIVENESS APPLICATION REVISED
4. HELPFUL TIPS
5. FAQ's
6. RESOURCES
7. REFERENCES

Revision: June 23, 2020

Slide 2

TJ2 Is it worth numbeting them?
Timothy Jeffcoat, 6/23/2020

“A dream doesn’t become reality through magic; it takes sweat, determination and hard work.”

7 Key Topics

7 Key Topics to Understand

1. Covered Payroll Period
2. Cash Compensation
3. Salaries for owner-employee/self-employed/general partners
4. FTE Calculation
5. FTE Reduction Safe Harbors 1 and 2
6. FTE Reduction Exception
7. Eligible Payroll and Non-Payroll Costs

1. Covered and Alternative Covered Payroll Period

- Covered Period - begins on the date the loan proceeds are disbursed and ends 8 weeks (56) days from that date. If 24 weeks, it begins on the date the loan proceeds are disbursed and ends 24 weeks (168 days) from that date.
- Alternative Period – Borrowers with a bi-weekly or more frequent payroll schedule may elect the Alternative Period. Example: If the loan is disbursed on April 20 and the first day of the borrower's first pay period following the disbursement is April 26, then the first day of the Alternative Payroll Period is April 26.

2. Cash Compensation

For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of $100,000, as prorated for the Covered Period. For an 8-week Covered Period, that total is capped at $15,385 per employee. For a 24-week Covered Period, that total is capped at $46,154 per employee.

3. Owner-Employee/Self Employed/General Partner

If a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $20,833 per individual; and • if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $15,385 per individual.

4. Required FTE Calculation

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

5a. FTE Reduction Safe Harbor 1

Provides a safe harbor from **reductions in forgiveness**, based on reductions in full-time equivalent (FTE) employees, for borrowers that are unable to return to the same level of business activity prior to February 15, 2020, due to compliance with requirements/guidance between March 1, 2020 and December 31, 2020 by the:

- Secretary of Health and Human Services
- Director of the Centers for Disease Control and Prevention
- Occupational Safety and Health Administration, related to worker or customer safety requirements related to COVID–19.

5b. FTE Reduction Safe Harbor 2

- If the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and
- the Borrower then restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020

6. The Six FTE Reduction Exceptions

For any employees who during the … Covered Period

1. the Borrower made a good-faith, written offer to rehire an employee, which was rejected by the employee
2. were fired for cause
3. voluntarily resigned
4. voluntarily requested and received a reduction of their hours
5. Borrower made a good faith, written offer to restore any reduction in hours at the same salary or wages, but the employee rejected.
6. Borrower was unable to hire similarly qualified employees for unfilled positions by December 31, 2020.

- Any FTE reductions in these cases do not reduce the Borrower's loan forgiveness

7a. What is 'Payroll Cost'

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 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.

7b. Summary of Eligible Costs - Payroll

- Payroll costs paid and payroll costs incurred during the eight-weeks (56-days) Covered Period or 24-weeks (168-days) Covered Period (cannot exceed December 31, 2020).
  - Payroll costs are considered paid on the day that paychecks are distributed or the Borrower originates an ACH credit transaction.
  - Payroll costs are considered incurred on the day that the employee's pay is earned.
  - Payroll costs incurred but not paid during the Borrower's last pay period of the Covered Period are eligible for forgiveness if paid on or before the next regular payroll date.
    - Otherwise, payroll costs must be paid during the Covered Period.

7c. Summary of Eligible Costs Non-Payroll

- **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

- Eligible nonpayroll costs cannot exceed 40% of the total forgiveness amount.
- Count nonpayroll costs that were both paid and incurred only once.

PPP Forgiveness Application 3508 EZ

Forgiveness Application 3508 EZ

- *New* Loan Forgiveness Application 3508EZ – 3 pages
- Separated into 3 sections: pages 1 and 2 must be submitted to the lender:
  1. PPP Forgiveness Application *(p 1)*
  2. Certification *(p 2)*
  3. Borrower Demographics *(p 3)*
  4. Instructions

This application is only for the following Borrowers:

- Self employed and have no employees
- 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%

The Application and Detailed Instructions forms are located on the SBA's website at: www.sba.gov/ppp under Loan Details and Forgiveness.

Forgiveness Application 3508EZ

Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ

OMB Control No. 3245-0407
Expiration date: 10/31/2020

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	**Business TIN (EIN, SSN)**	**Business Phone**
		( ) -
	Primary Contact	**E-mail Address**

SBA PPP Loan Number: _____ **Lender PPP Loan Number:** _____

PPP Loan Amount: _____ **PPP Loan Disbursement Date:** _____

Employees at Time of Loan Application: _____ **Employees at Time of Forgiveness Application:** _____

EIDL Advance Amount: _____ **EIDL Application Number:** _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ **Weekly** ☐ **Biweekly** (every other week) ☐ **Twice a month** ☐ **Monthly** ☐ **Other** _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of $2 million, check here: ☐

Forgiveness Application 3508EZ

Payroll and Nonpayroll Costs

Line 1. Payroll Costs: _____

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4: _____

Line 6. PPP Loan Amount: _____

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60): _____

Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7): _____

Form 3508 EZ Certification

Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:
The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

_____ The dollar amount for which forgiveness is requested:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $15,385 per individual.

_____ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

_____ The Borrower did not reduce salaries or hourly wages by more than 25 percent for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020. For purposes of this certification, the term "employee" includes only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than $100,000.

_____ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

Form 3508 EZ Certification

____	I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.
____	The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to $250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than $5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than $1,000,000.
____	The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.
____	I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

Form 3508 EZ Certification

In addition, the Authorized Representative of the Borrower must certify by **initialing at least ONE** of the following two items:

_____ The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period (other than any reductions that arose from an inability to rehire individuals who were employees on February 15, 2020, if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020, and reductions in an employee's hours that a borrower offered to restore and were refused).

_____ The Borrower was unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

_____ _____

Signature of Authorized Representative of Borrower | Date

_____ _____

Print Name | Title

SBA Form 3508EZ (06/20)

PPP Forgiveness Application Revised

PPP Loan Forgiveness Application Revised

- *Revised* Loan Forgiveness Application Revised – 5 pages
- Separated into 5 sections: pages 1 - 3 must be submitted to Lender:
  1. PPP Forgiveness Application Calculation *(p 1)*
  2. Certification *(p 2)*
  3. Schedule A *(p 3)*
  4. Schedule A worksheet *(p 4)*
  5. Borrower Demographics *(p 5)*
  6. Instructions

The Application and Detailed Instructions forms are located on the SBA's website at: www.sba.gov/ppp under Loan Details and Forgiveness.

Schedule A Worksheet & Safe Harbor

Schedule A Worksheet

Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to $100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

Schedule A Worksheet

Table 2: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than $100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		**Box 4**	**Box 5**

Attach additional tables if additional rows are needed.

Schedule A Worksheet

FTE Reduction Safe Harbor 2:

Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: _____.

Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1:_____.

Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, FTE Reduction Safe Harbor 2 is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

Step 4. Enter the borrower's total FTE as of the earlier of December 31, 2020, and the date this application is submitted:_____.

Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor 2 has been satisfied. Otherwise, FTE Reduction Safe Harbor 2 does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

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PPP Forgiveness Application
Schedule A

Schedule A

Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1: _____

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1: _____

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1: _____
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here ☐ and enter **0** on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2: _____

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2: _____

Schedule A

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation: _____

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners: _____
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9): _____

Schedule A

Full-Time Equivalency (FTE) Reduction Calculation

If you satisfy **any** of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter **1.0** on line 13; otherwise, complete lines 11, 12, and 13:

No reduction in employees or average paid hours: If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here ☐.

FTE Reduction Safe Harbor 1: If you were unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, 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, check here ☐.

FTE Reduction Safe Harbor 2: If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here ☐.

Line 11. Average FTE during the Borrower's chosen reference period: _____

Line 12. Total Average FTE (add lines 2 and 5): _____

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if any of the above criteria are met: _____

PPP Forgiveness Application Calculation Form

Forgiveness Application Calculation

Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	**Business TIN (EIN, SSN)**	**Business Phone**
		( ) -
	Primary Contact	**E-mail Address**

SBA PPP Loan Number:_____ **Lender PPP Loan Number:** _____

PPP Loan Amount:_____ **PPP Loan Disbursement Date:** _____

Employees at Time of Loan Application: _____ **Employees at Time of Forgiveness Application:** _____

EIDL Advance Amount:_____ **EIDL Application Number:** _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ **Weekly** ☐ **Biweekly** (every other week) ☐ **Twice a month** ☐ **Monthly** ☐ **Other** _____

Covered Period:_____ to _____

Alternative Payroll Covered Period, if applicable:_____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of $2 million, check here: ☐

Forgiveness Application Calculation

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): _____

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): _____

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: _____

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): _____

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): _____

Line 9. PPP Loan Amount: _____

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60): _____

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): _____

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Page 1

Certification

Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The authorized representative of the Borrower certifies to all of the below by **initialing** next to each one.

_____ The dollar amount for which forgiveness is requested:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes all applicable reductions due to decreases in the number of full-time equivalent employees and salary/hourly wage reductions;
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $15,385 per individual.

_____ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

_____ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

_____ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

_____ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 U.S.C. 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to $250,000; under 15 U.S.C. 645 by imprisonment of not more than two years and/or a fine of not more than $5,000; and, if submitted to a Federally insured institution, under 18 U.S.C. 1014 by imprisonment of not more than thirty years and/or a fine of not more than $1,000,000.

Certification

_____ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

_____ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

_____ If the Borrower has checked the box for FTE Reduction Safe Harbor 1 on PPP Schedule A, the Borrower was unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

_____ _____

Signature of Authorized Representative of Borrower | Date

_____ _____

Print Name | Title

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Page 2

Helpful Tips

“If I had nine hours to chop down a tree, I’d spend the first six sharpening my ax.”

HELPFUL TIPS

You will need the……

- Loan Forgiveness Application
- Loan Forgiveness Application Instructions (please read carefully)
- Calculator
- Calendar
- Loan documents
- Supporting documentation
- Retain all of your documents for 6 years

HELPFUL TIPS

Items to consider if you want better forgiveness results:

- FTE Calculation method (remember there are 2 methods)
- The Two Safe Harbors
- The Six FTE Reduction Exceptions
- Alternative Covered Period

The 7 Most Common FAQs

FAQ's

1. Are salary, wages, or commission payments to furloughed employees; bonuses; or hazard pay during the covered period eligible for loan forgiveness? Yes
2. Are advance payments of interest on mortgage obligations eligible for loan forgiveness? No
3. What effect does a borrower's reduction in employees' salary or wages have on the loan forgiveness amount? in excess of 25 percent will generally result in a reduction in the loan forgiveness amount… the calculation is performed on a per employee basis, not in the aggregate.

FAQ's Cont'd

4. How should borrowers, seeking loan forgiveness account for the reduction based on a reduction in the number of employees … …relative to the reduction relating to salary and wages …?

Example:

- An hourly wage employee had been working 40 hours per week during the borrower selected reference period (FTE employee of 1.0)
- … the borrower reduced the hours to 20 hours per week during the covered period (FTE employee of 0.5).
- … there was no change to the employee's hourly wage during the covered period.
- Because the hourly wage did not change, the reduction in the employee's total wages is entirely attributable to the FTE employee reduction
- Therefore, the borrower is not required to conduct a salary/wage reduction calculation for that employee.

FAQ's Cont'd

5. Can the Borrower switch from the 8 weeks covered period to the 24 weeks covered period?

- Yes, but seek mutual agreement from the lender.

FAQ's Cont'd

6. What is the Loan Forgiveness Process…….

- … complete and submit the Loan Forgiveness Application… to lender.
- … The lender has 60 days to … issue a decision to SBA.
- …SBA will deduct EIDL Advance Amounts from the forgiveness amount remitted to the Lender…
- If SBA determines … that the borrower was ineligible … the loan will not be eligible for loan forgiveness.
- In the case, the lender is responsible for notifying the borrower...
- If only a portion of the loan is forgiven, or if the forgiveness request is denied, any remaining balance … must be repaid … on or before the five-year maturity or two-year maturity of the loan.

FAQ's Cont'd

7. Can the borrower apply for loan forgiveness before the end of the Covered Period?

Yes. A borrower may submit a loan forgiveness application any time on or before the maturity date of the loan – including before the end of the covered period – if the borrower has used all of the loan proceeds for which the borrower is requesting forgiveness. If the borrower applies for forgiveness before the end of the covered period and has reduced any employee's salaries or wages in excess of 25 percent, the borrower must account for the excess salary reduction for the full 8-week or 24-week covered period, as described in Part III.5.

SBA Resources

Texas Gulf Coast Small Business Development Center (SBDC)

713-752-8444

www.sbdc.uh.edu

WBEA Women's Business Center (WBC)

713-681-9232

www.wbea-texas.org/womens-business-center

Houston SCORE

713-487-6565

www.houston.score.org

For EIDL Loan Applicants

- 1-800-659-2955
- (TTY: 1-800-877-8339)
- e-mail disastercustomerservice@sba.gov

Houston District Office - SBA

- 713-773-6500
- Houston@sba.gov
- Twitter: @SBA_Houston

Other SBA District Offices

www.sba.gov/about-sba/sba-locations

References and Guidance

- IFR 136/Borrower (5/22/2020) https://home.treasury.gov/system/files/136/PPP-IFR-Loan-Forgiveness.pdf
- HR7010 - 'Paycheck Protection Program Flexibility Act of 2020' (6/5/2020) https://www.congress.gov/bill/116th-congress/house-bill/7010
- 19th IFR – 13 CFR Part 120 (6/17/2020) https://home.treasury.gov/system/files/136/PPP-IFR--Revisions-to-the-Third-and-Sixth-Interim-Final-Rules.pdf
- 20th IFR – 13 CFR Part 120 (6/22/2020) https://home.treasury.gov/system/files/136/PPP--IFR--Revisions-to-Loan-Forgiveness-Interim-Final-Rule-and-SBA-Loan-Review-Procedures-Interim-Final-Rule.pdf