FORGIVENESS SUMMARY

The CARES Act was signed into law on March 27, 2020, creating the Paycheck Protection Program ("PPP"). PPP is intended to provide forgivable loans to help small businesses and nonprofits continue operating and paying employees during the current economic uncertainty caused by COVID-19. On June 5, 2020, the PPP Flexibility Act provided more flexibility for PPP borrowers, and on July 4, the PPP Extension Act extended the time period to apply for a PPP loan through August 8, 2020. Additional changes are being considered by Congress, and the Treasury Department and Small Business Administration continue to issue guidance for the program. Self-Help is closely monitoring PPP rules and guidance, and we will update our Forgiveness FAQ as new information becomes available.

In general, under the current laws and guidance, your PPP loan will be eligible for forgiveness if:

- At least 60% of PPP loan funds are used to pay employees and any remaining loan funds are used to pay the following business expenses:
  - Interest portion of mortgage payments
  - Rent/lease payments
  - Utilities
- PPP loan funds are used within the required time period; and
- Staff and wage levels are maintained (subject to exceptions).

Any portion of your PPP loan that does not meet the above forgiveness requirements will be repayable under the terms of your Note.

For more information, please refer to our Forgiveness FAQ.

Self-Help will provide you with additional forgiveness guidance issued by Treasury or SBA as it becomes available and will work with you to help you obtain forgiveness for your loan. You may view our Forgiveness FAQ and check for updates on our website. Self-Help PPP borrowers may also reach out to us at postclosing-ppp@self-helpfcu.org if you have further questions about the use of your PPP loan proceeds or forgiveness requirements.
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FREQUENTLY ASKED QUESTIONS

I. USE OF PPP FUNDS

I.1 What are forgivable uses of PPP funds?
To be forgiven, PPP loan funds must be used for eligible payroll costs ("Payroll Costs") and other eligible business expenses ("Non-Payroll Costs").

A. Payroll Costs

I.A.1 What are forgivable Payroll Costs?
Payroll Costs include the following payments paid by the borrower for any employee whose principal place of residence is in the United States:
- Salary, wage, commission, cash tip or similar compensation (up to $100,000 annualized per employee);
- Vacation, parental, family, medical, or sick leave (other than qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act);
- Group health care benefits, including insurance premiums;
- Retirement benefits; and
- State and local taxes (but not federal taxes) assessed on the compensation of employees.

I.A.2 Do I have to use a portion of my PPP loan for Payroll Costs?
Yes, to be fully forgivable, at least 60% of your PPP loan must be used for Payroll Costs (and you may choose to use more than 60% of your PPP loan for Payroll Costs). If less than 60% is used for Payroll Costs, your requested forgiveness amount will be reduced.

I.A.3 May I increase the compensation I pay to my employees (for example, hazard pay or a cost-of-living adjustment from 2019)? If I increase employee compensation, may I pay myself the same increase?
For non-owner employees, there is no prohibition on paying your employees a higher amount than they were paid in 2019, as long as you do not exceed cash compensation of $100,000 annualized per employee. For owners, general partners, or self-employed individuals, however, compensation may not be increased.

I.A.4 As a business owner, what amount of my own compensation can I include as Payroll Costs?
This will depend on whether you are using the 8-week or 24-week Covered Period and whether your compensation was over $100,000 in 2019:
- If your annualized 2019 compensation was $100,000 or less:
  - If you use the 8-week period, the maximum amount you may pay yourself as an owner of the business is eight weeks’ worth of your average 2019 compensation; and
  - If you use the 24-week period, the maximum amount you may pay yourself as an owner of the business is two-and-a-half months’ worth of your average 2019 compensation.
- If your annualized 2019 compensation was over $100,000:
  - If you use the 8-week period, the maximum amount you may pay yourself as an owner of the business is $15,385; and
  - If you use the 24-week period, the maximum amount you may pay yourself as an owner of the business is $20,833.
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- The SBA PPP Forgiveness Application makes clear that any increase to cash compensation over your average 2019 amount (up to $100,000 annualized) will not be forgiven.

I.A.5 I am a sole proprietor, an independent contractor, or a general partner. May I include amounts paid for my own retirement contributions or healthcare insurance as Payroll Costs?
A: Unfortunately, no. SBA has determined that “[n]o additional forgiveness is provided for retirement or health insurance contributions for self-employed individuals, including Schedule C filers and general partners, as such expenses are paid out of their net self-employment income.”

I.A.6 My business hires 1099 and independent contractor workers. May I include payments to 1099 and independent contractors for purposes of loan forgiveness?
No. Independent contractors can obtain their own PPP loan to cover their compensation, so entities that hire independent contractors cannot include 1099 pay.

I.A.7 My nonprofit receives federal funding and/or restricted funding that covers some employee salaries. Can I still use PPP funds to pay those employee salaries?
If other federal or restricted funding pays some employee’s salaries, you should not use PPP funds to pay those salaries for the same period. Under current guidance, you must use at least 60% of PPP funds for Payroll Costs to maximize loan forgiveness, so we recommend you talk with your other funders to determine whether your other funding can be used for alternative purposes, or during a different time period, to allow your organization to obtain the maximum benefit from your PPP loan.

I.A.8 Are prepayments of Payroll Costs forgivable?
This has not been explicitly addressed by SBA, but prepayment of a Payroll Cost (payment of payroll not yet incurred, in advance of the regularly scheduled pay date) does not appear to be eligible for forgiveness.

B. Non-Payroll Costs

I.B.1 What are forgivable Non-Payroll Costs?
Forgivable Non-Payroll Costs include the following payments for obligations of the borrower that existed on or prior to February 15, 2020:
- Interest payments on any business mortgage obligation on real or personal property (but not payment or prepayment of principal);
- Business rent or lease payments for real or personal property;
- Business utility payments for a service for the distribution of electricity, gas, water, transportation, telephone, and internet access.

I.B.2 Do I have to use a portion of my PPP loans for Non-Payroll Costs?
No. To be fully forgivable, at least 60% of your loan must be used for Payroll Costs and any remainder must be used for Non-Payroll Costs. You may use up to 40% of your loan for Non-Payroll Costs; if more than 40% is used for Non-Payroll Costs, your requested forgiveness amount will be reduced.

I.B.3 Are interest payments on my business equipment loan forgivable?
Yes, interest payments on a secured obligation of the borrower on personal property, such as equipment, are forgivable (provided the secured obligation was in place on or before February 15, 2020 and you would typically
include it as a business interest expense on your federal tax return). You may not include payment (or prepayment) of principal.

I.B.4 Are interest payments on my business vehicle loan forgivable?
Yes, interest payments on a secured obligation of the borrower on personal property, such as a business vehicle, are forgivable (provided the secured obligation was in place on or before February 15, 2020 and you would typically include it as a business interest expense on your federal tax return). You may not include payment (or prepayment) of principal.

I.B.5 Are lease payments on my business equipment forgivable?
Yes, business lease payments pursuant to lease agreements of the borrower for personal property, such as equipment, are forgivable (provided the lease agreement was in place on or before February 15, 2020 and you would typically include it as a business rent or lease expense on your federal tax return).

I.B.6 Are lease payments on my business vehicle lease forgivable?
Yes, business lease payments pursuant to lease agreements of the borrower for personal property, such as a business vehicle, are forgivable (provided the lease agreement was in place on or before February 15, 2020 and you would typically include it as a business rent or lease expense on your federal tax return).

I.B.7 Are prepayments of interest on mortgage obligations forgivable?
No, advance payments of mortgage interest are not eligible for forgiveness.

I.B.8 Are prepayments of Non-Payroll Costs forgivable?
This has not been explicitly addressed by SBA, but prepayment of a Non-Payroll Cost (payment of a Non-Payroll Cost not yet incurred, in advance of the regularly scheduled due date) does not appear to be eligible for forgiveness.

C. Unauthorized Uses

I.C.1 What happens if I use my PPP loan funds for purposes that are not eligible?
SBA will direct you to repay misused amounts. If you knowingly use the funds for unauthorized purposes, you may be subject to additional liability and charges of fraud. SBA (and Treasury) will also have recourse against all shareholders, members, partners or owners of the borrower if funds were knowingly used for unauthorized purposes.

I.C.2 What types of actions would subject me to charges of fraud?
Examples of fraud allegations against PPP borrowers that have appeared in the news include:

- A PPP borrower was charged by the FBI with fraud for allegedly submitting PPP loan applications in the names of multiple businesses, none of which existed, all containing materially false statements and altered IRS payroll tax documents.
- A PPP borrower was charged by the FBI with fraud for allegedly submitting PPP loan applications for a business that had closed in 2018, falsely claiming the business had over 100 employees. After receiving the loan, the borrower allegedly used the funds to pay off the business owner’s home mortgage, purchase a new car for personal use, and make personal investments.
• A PPP borrower was charged by the FBI with fraud for allegedly submitting altered copies of payroll tax filings that more than tripled the amount of total 2019 employee compensation, as compared to the actual payroll tax filings that had been submitted by the business to the IRS.
• A PPP borrower was charged by the FBI with fraud for allegedly submitting altered copies of bank records, payroll tax records and insurance records to show that the company had hundreds of employees paid millions of dollars in wages, when in fact, the company had one employee.

II. TIME PERIOD FOR USE OF FUNDS: “COVERED PERIOD”

II.1 How long do I have to use PPP funds?
PPP loan funds must be used within a certain time period (“Covered Period”) to be eligible for forgiveness.
• If your PPP loan was approved by SBA prior to June 5, you may choose either an 8-week (56 days) Covered Period or a 24-week (168 days) Covered Period.
• If your PPP loan was approved by SBA on or after June 5, you have a 24-week (168 days) Covered Period.
• In no event may the Covered Period extend beyond December 31, 2020.

II.2 When does my Covered Period start?
Your Covered Period begins the day you receive your PPP loan funds. For example, if your PPP funds were wired by your lender to your bank account on May 15, then May 15 is day 1 of your Covered Period.

II.3 What do I need to do to choose an 8-week or 24-week Covered Period?
If your loan was approved by SBA prior to June 5, you have the option to choose either an 8-week or 24-week Covered Period, and you will identify the option you have chosen as part of your forgiveness application. If your loan was approved by SBA on or after June 5, you have a 24-week Covered Period.

II.4 For loans approved by SBA prior to June 5 that have the option to choose either the 8-week or 24-week Covered Period, which option is better?
This will depend on your specific circumstances. Some things to consider when choosing your Covered Period include:
• Whether you can spend at least 60% of PPP funds on Payroll Costs and any remainder on Non-Payroll Costs in 8 weeks or will need longer. Using less than 60% for Payroll Costs will reduce your forgiveness amount.
• Whether you have employees other than yourself. Businesses with no employees other than the owner (ex: self-employed individuals, independent contractors, some sole proprietors) should consider 24 weeks if you would like to use all PPP loan proceeds for your own payroll (likely the easiest method for you to obtain forgiveness, with the least amount of documentation). Your PPP loan amount is based on 2½ months of 2019 average monthly payroll, and SBA will not let a business owner pay themselves more (or at a faster rate), so:
  o If you choose the 8-week period, you cannot use your full PPP loan for your own payroll (you would need to use at least 25% of your loan for Non-Payroll Costs);
  o If you choose the 24-week period, you can use your full PPP loan for your own payroll (you would need to wait at least 2½ months from the date you receive your PPP loan proceeds to apply for forgiveness).
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- Whether you have made a reduction of more than 25% to any employee’s compensation. Forgiveness will be reduced by average weekly wage reductions greater than 25% for the full Covered Period, even if you apply before the end of your Covered Period. For example:
  - If you choose the 8-week period and the reduction over 25% in an employee’s average weekly wages is $1,000, your forgiveness amount will be reduced by $8,000;
  - If you choose the 24-week period and the reduction over 25% in an employee’s average weekly wages is $1,000, your forgiveness amount will be reduced by $24,000.
- Whether you will have fewer FTEs after the end of week 8 and no FTE Reduction Exceptions apply. Forgiveness will be reduced proportionately with FTE reductions unless FTE Reduction Exceptions apply, so you may want to choose the 8-week period to show fewer FTE reductions. (You still have 10 months from the end of your Covered Period to apply and may opt for the 8-week Covered Period at the time of your forgiveness application.) Review FTE Reduction Exceptions carefully – in many cases, the FTE Reduction Exceptions will prevent reduction of your forgiveness amount, which may make the longer 24-week Covered Period a better option for you.

II.5 Can I align my Covered Period with my payroll cycle?
If you have a bi-weekly (or more frequent) payroll cycle, then you have the option to start the time period for use of PPP funds for Payroll Costs on the first day of the first regularly scheduled payroll cycle following the receipt of your PPP funds (“Alternative Payroll Covered Period” or “APCP”). SBA provided the following example: if you received your PPP funds on April 20 and your next bi-weekly payroll cycle starts April 26, then you may either choose your regular Covered Period (April 20 – October 4), or you may choose the APCP (April 26 – October 10). In no event may the APCP extend beyond December 31, 2020. Even if you choose the APCP for Payroll Costs, however, you still must use your regular Covered Period for any Non-Payroll Costs.

II.6 To be forgiven, must Payroll Costs be paid, incurred, or both during my Covered Period (or APCP, if applicable)?
Payroll Costs paid during your Covered Period (or APCP, if applicable) will be forgiven, even if incurred before your Covered Period (or APCP, if applicable). Payroll Costs incurred during your Covered Period (or APCP, if applicable) will be forgiven even if paid after your Covered Period (or APCP, if applicable), if paid on or before the next regularly scheduled pay date. Prepayments of Payroll Costs, however, prior to the date such costs are incurred or due, do not appear to be eligible for forgiveness.

- Payroll Costs are considered paid on the date paychecks are distributed (or the date the ACH payroll transaction is originated).
- Payroll Costs are considered incurred on the date the employee pay is earned (the day the employee worked). If you are paying employees who are not currently working, Payroll Costs are considered incurred on the date the employees would have worked.
- Examples:
  - Covered Period: April 20 (Day 1) – October 4 (Day 168); monthly payroll paid in arrears
    - Payroll paid May 1 is fully eligible – include the amount paid during the Covered Period, even though a portion was incurred prior to Day 1
    - Payroll paid November 1 is partially eligible – include the portion that was incurred during the Covered Period, even though paid after Day 168
    - Payroll paid during Covered Period for payroll incurred in December does not appear to be eligible for forgiveness
  - APCP: April 26 (Day 1) – October 10 (Day 168); biweekly payroll paid in arrears
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- Payroll paid April 26 is *fully* eligible – include the amount paid during the APCP, even though incurred prior to Day 1
- Payroll paid October 25 is *fully* eligible – include the amount incurred during the APCP, even though paid after Day 168
- Payroll paid during APCP for payroll incurred in December does not appear to be eligible for forgiveness

### II. To be forgiven, must Non-Payroll Costs be paid or incurred during my Covered Period?

Non-Payroll Costs incurred before or during your Covered Period may be forgiven if paid during your Covered Period. Non-Payroll Costs incurred during your Covered Period may also be included even if paid after your Covered Period, if paid on or before the next regularly scheduled due date. Prepayments of Non-Payroll Costs, however, prior to the date such costs are incurred or due do not appear to be eligible for forgiveness.

- **Examples:**
  - **Covered Period from June 1 (Day 1) through November 15 (Day 168):**
    - Electricity bill paid on its regular due date of June 15, for electricity used May 1 – May 31, is *fully* eligible – include the amount paid during the Covered Period, even though it was incurred prior to Day 1.
    - Electricity bill paid on its regular due date of December 15, for electricity used November 1 – November 30, is *partially* eligible – include the amount incurred during the Covered Period, even though it was paid after Day 168.
    - Electricity bill paid during Covered Period prior to its regular due date, for electricity to be used December 1 – December 31, does not appear to be eligible for forgiveness.

### III. MAINTAIN STAFF

#### A. Maintain Staff Wages

**III.A.1 Do reductions in employee compensation reduce the amount of loan forgiveness?**

Yes. Reduction of any employee’s compensation in excess of 25% will reduce the amount of forgiveness, except for the following:

- Reduction in the compensation of an employee who made more than $100,000 in 2019;
- Reduction in the compensation of an owner of the business; and
- Reduction in the compensation of any employee if compensation is restored to pre-COVID levels on or before December 31, 2020 (and before you apply for forgiveness).

**III.A.2 What is the pre-COVID time period for comparison of employee wages?**


**III.A.3 If I apply for forgiveness before the end of my Covered Period, how are employee compensation reductions calculated?**

You will calculate average weekly employee compensation for the period from the date you received your PPP loan funds through the date of your forgiveness application. If you have any employee with an average weekly compensation reduction of more than 25% for that period (as compared to the period between January 1, 2020 – March 31, 2020), then the amount in excess of 25% will be multiplied by the number of weeks in your Covered Period, and your forgiveness amount will be reduced by the result.

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For example, assume you have a 24-week Covered Period and apply for forgiveness at the end of week 15. During the period from the date you received your PPP loan funds through the end of week 15, you reduce an employee’s average weekly wages by more than 25%, and the portion over 25% is $1,000 per week. Your forgiveness amount will be reduced by $24,000 ($1,000 x 24 weeks).

B. Maintain Total Average Full-Time Equivalent (‘FTE”) Employees

III.B.1 What time period will SBA use to determine whether I have reduced total FTEs?
SBA will compare your Covered Period (or APCP, if applicable) average FTE employees and compensation to your pre-COVID average FTE employees and compensation. You may choose one of the following time periods for your pre-COVID period:

- February 15, 2019 to June 30, 2019;
- January 1, 2020 to February 29, 2020; or
- For seasonal businesses only, you may choose either of the above periods, or any consecutive 12-week period between May 1, 2019 and September 15, 2019.

III.B.2 How do I calculate average FTE employees?
You may calculate average FTE employees in either of the following ways, provided you use the same method for your pre-COVID and your Covered Period (or APCP, if applicable) calculations:

- For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth; provided no employee may count as more than 1.0 FTE.
- Count each employee that works 40 hours or more per week as 1.0 FTE, and count each employee that works fewer than 40 hours per week as 0.5 FTE.

III.B.3 Do I have to restart operations and put my employees back to work?
No, there is no requirement that you restart operations at this time. The intent of the CARES Act is to continue paying your employees, whether you currently have work for them to do or not. This allows your employees to continue to receive income and benefits. This also benefits your organization by keeping your trained employees on your payroll; when you reopen, you will not need to hire and train new employees before you can resume operations.

III.B.4 If I already had to reduce staff, am I still eligible for forgiveness?
Yes, if you refill those positions or otherwise meet an FTE Reduction Exception.

III.B.5 Some former employees are no longer available. May I refill those positions with new employees?
Yes, you may hire new employees to fill open positions to avoid FTE reductions.

III.B.6 If I apply for forgiveness before the end of my Covered Period, how are FTE reductions calculated?
You will calculate average FTEs for the period from the date you received your PPP loan funds through the date of your forgiveness application. If you have FTE reductions for that period, and no FTE Reduction Exceptions apply, your forgiveness will be reduced by a proportional amount.

- For example, assume you have a 24-week Covered Period and apply for forgiveness at the end of week 15. During your applicable pre-COVID period, you averaged 10 FTEs, but during the period from the date you received your PPP loan funds through the end of week 15, you average only 9 FTEs, and no FTE Reduction Exceptions apply. You will multiply your potential forgiveness amount by 9/10 to determine your forgiveness amount.
C. FTE Reduction Exceptions

III.C.1 If I already had to lay off an employee, and offer to rehire that employee but they refuse, will my forgiveness amount be reduced?
No. This is an FTE Reduction Exception. Laid-off employees will be excluded from the forgiveness reduction calculation if you document all of the following:

- During your Covered Period (or Alternative Payroll Covered Period, if applicable), you made a good faith, written offer of rehire (or restoration of reduced hours),
- the offer was for the same salary/wages and same number of hours as the employee previously worked,
- the employee rejected your offer, and
- within 30 days of the employee’s rejection, you notify the applicable State unemployment insurance office. (SBA plans to provide information on how to report rejected reemployment offers to State unemployment insurance offices on its website at www.sba.gov.) Employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

III.C.2 If I had to fire an employee for cause, will my forgiveness amount be reduced?
No. This is an FTE Reduction Exception. Employees fired for cause will be excluded from the forgiveness reduction calculation if you document they were fired for cause.

III.C.3 If an employee voluntarily resigned, or voluntarily requested and received a reduction in hours, will my forgiveness amount be reduced?
No. This is an FTE Reduction Exception. Employees who voluntarily resigned, and employees who voluntarily requested and received a reduction in hours, will be excluded from the forgiveness reduction calculation if you document they resigned or reduced their hours voluntarily.

III.C.4 If I am unable to fill open positions with qualified employees, will my forgiveness amount be reduced?
No. This is an FTE Reduction Exception. If you document that you are unable to hire qualified employees for unfilled positions, then these unfilled positions will not reduce your forgiveness amount.

III.C.5 If I am unable to return to my pre-COVID level of business activity, and therefore cannot maintain staff, will my forgiveness amount be reduced?
No. This is an FTE Reduction Exception. If you document that you were unable to operate at the same level of business activity between February 15, 2020 and the end of your Covered Period (or forgiveness application date, if earlier) as you were operating before February 15, 2020, due to compliance with federal, State or local requirements or guidance issued during the period from March 1, 2020 through December 31, 2020 related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, then your reduction in staff will not reduce your forgiveness amount. To document this exception, you should keep copies of (i) the guidance issued for your location, and (ii) borrower financials for the pre-COVID period and for your Covered Period.

III.C.6 What is the date by which I need to rehire or replace employees to avoid a reduction in forgiveness?
This is an FTE Reduction Exception. If you do not meet any other FTE Reduction Exception, you must rehire or replace employees on or before December 31, 2020 to avoid a reduction in forgiveness. To use this FTE Reduction Exception, you would wait to apply for forgiveness until you have filled your open positions.
IV. FORGIVENESS APPLICATION, PROCESS, & DOCUMENTATION REQUIREMENTS

IV.1 How do I apply for forgiveness on my PPP loan?
You will log on to Self-Help’s on-line forgiveness portal, complete your forgiveness application, and upload all required documents. SBA is in the process of issuing guidance for lenders on how to submit forgiveness determinations, and more information is expected soon. Once SBA has made that information available, we will be able to finalize and open our forgiveness portal. At that time, we will notify you, send you a unique link to access and complete the forgiveness application for your loan, and provide you with instructions on how to submit your forgiveness application securely.

IV.2 When do I apply for forgiveness on my PPP loan?
Once SBA has issued the guidance and process for lenders to submit forgiveness determinations, we will be able to finalize and open our forgiveness portal. At that time, we will notify you, send you a unique link to access the forgiveness application for your loan, and provide you with instructions on how to submit your forgiveness application securely. Once you have used your PPP loan funds, even if you have not yet reached the end of your Covered Period (or APCP, if applicable), you may log on to our on-line Forgiveness Portal through your unique link to complete your forgiveness application. You must apply for forgiveness within 10 months of the last day of your Covered Period (or APCP, if applicable).

IV.3 Do I have to wait until the end of my Covered Period to apply for forgiveness?
No, you can apply for forgiveness once you have used your PPP funds, even if your Covered Period has not yet ended.

IV.4 How long do I have to apply for forgiveness after the end of my Covered Period (or APCP, if applicable)?
You must apply for forgiveness within 10 months after the end of your Covered Period (or APCP, if applicable).

IV.5 Are the SBA forgiveness applications available?
Following passage of the PPP Flexibility Act on June 5, 2020, SBA issued two revised forgiveness applications. The SBA Form 3805 PPP Loan Forgiveness Application (Revised June 16, 2020), is similar to the initial SBA forgiveness application, but instructions have been moved to a separate document. The SBA Form 3805EZ PPP Loan Forgiveness Application is a more streamlined version that certain borrowers will be able to use. There are also separate instructions for the SBA Form 3805EZ. Both versions of the SBA forgiveness application (and the instructions for each), as well as a Spanish-language version, are available on SBA’s website at https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program. To apply for forgiveness with Self-Help, you will complete the appropriate forgiveness application through our on-line forgiveness portal, which will lead you through the steps to complete your forgiveness application. We continue to monitor any further changes or revisions, including consideration by Congress of a more streamlined forgiveness application process for smaller loans, and will provide updates if the application process changes.

IV.6 Who may use SBA Form 3805EZ PPP Loan Forgiveness Application (instead of the long form)?
The SBA Form 3805EZ may be used if you are one of the following:

- Small business with no employees other than the owner at the time of the PPP loan application (i.e., you are a self-employed individual, an independent contractor or a sole proprietor whose PPP loan was based solely on your income as owner, and you did not include Payroll Costs for any other employee in your loan amount calculation);
- Small businesses with employees, provided that:
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o As compared to the period between January 1, 2020 – March 31, 2020, you did not reduce any employee’s salary/wages by more than 25% (excluding employees that made over $100,000 in 2019 or owner-employees); and

o One of the following is true:
  - You were unable to operate during your Covered Period/APCP at the same level of business activity as before February 15, 2020, due to compliance with federal, state or local COVID-19 guidance and restrictions issued from March 1, 2020 to December 31, 2020; or
  - You had no FTE reductions from January 1, 2020 through the end of your Covered Period/APCP or your forgiveness application date, if earlier, other than FTE reductions resulting from furloughed employees who refused to return despite a good faith offer, or from unfilled positions for which you could not find similarly qualified employees.
  
  (Note we are waiting on additional SBA guidance to determine whether any other FTE Reduction Exceptions may be considered in determining whether a borrower may use SBA Form 3805EZ.)

• Nonprofits, provided that:
  o As compared to the period between January 1, 2020 – March 31, 2020, you did not reduce any employee’s salary/wages by more than 25% (excluding employees that made over $100,000 in 2019 or owner-employees); and

  o One of the following is true:
    - You were unable to operate during your Covered Period/APCP at the same level of business activity as before February 15, 2020, due to compliance with federal, state or local COVID-19 guidance and restrictions issued from March 1, 2020 to December 31, 2020; or
    - You had no FTE reductions from January 1, 2020 through the end of your Covered Period/APCP or your forgiveness application date, if earlier, other than FTE reductions resulting from furloughed employees who refused to return despite a good faith offer, or from unfilled positions for which you could not find similarly qualified employees.
  
  (Note we are waiting on additional SBA guidance to determine whether any other FTE Reduction Exceptions may be considered in determining whether a borrower may use SBA Form 3805EZ.)

IV.7 What documents do I need to apply for loan forgiveness?
Under the current guidance, SBA will require you to provide either (i) SBA Form 3508 PPP Loan Forgiveness Application and all related supporting documentation required by SBA Form 3508, or (ii) SBA Form 3508EZ PPP Loan Forgiveness Application. In either case, SBA also requests that you submit the optional Borrower Demographic Information Form. We continue to monitor any further changes or revisions, including consideration by Congress of a more streamlined forgiveness application process for smaller loans, and will provide updates if the forgiveness application process changes.

IV.8 Are there any documents I will need to keep that are not required to be submitted with my forgiveness request?
Yes. SBA requires you to keep a copy of all documents you submit with your forgiveness request and all supporting documentation for at least 6 years after the date your loan is forgiven or repaid in full. SBA may review any PPP loan at any time, and may require you to provide documentation at the time of its review, including:
Paycheck Protection Program (PPP) – Loan Forgiveness FAQ
(updated as of July 8, 2020)

- Documentation of (i) salary/wages paid for the period from January 1, 2020 – March 31, 2020 and (ii) salary/wages included in your forgiveness request for your Covered Period/APCP (or from your loan disbursement date through your forgiveness application date, if you apply prior to the end of your Covered Period/APCP);
- Documentation of any healthcare or retirement benefits included in your forgiveness request;
- Documentation of any State or local taxes assessed on employee compensation included in your forgiveness request;
- Documentation supporting payment of any Non-Payroll Costs included in your forgiveness request (proof those obligations existed on or before February 15, 2020 and documentation showing payments made);
- Documentation supporting your calculation of average total FTEs for (i) your pre-COVID period and (ii) your Covered Period/APCP (or from your loan disbursement date through your forgiveness application date, if you apply prior to the end of your Covered Period/APCP);
- Documentation supporting any FTE Reduction Exceptions, including, in the case of the FTE Reduction Exception for inability to return to pre-COVID levels of business activity due to COVID-related restrictions, copies of (i) any COVID-related restrictions or guidance for the borrower location and (ii) borrower financial statements;
- For loans over $2 million, we recommend you also keep documentation supporting your certification that economic uncertainty at the time of your PPP loan application made the request necessary to support ongoing operations.

IV.9 Will I have to provide documentation to support my certification that current economic uncertainty makes my PPP loan request necessary to support ongoing operations?

This depends on the size of your PPP loan.

- For loans less than $2 million: Your good faith certification made at the time you applied for your PPP loan does not require additional documentation. SBA has determined that any borrower that received a PPP loan of less than $2 million (including PPP loans to affiliates) will be deemed to have made the required certification in good faith. SBA has determined that this safe harbor is appropriate because borrowers with loans below this threshold are generally less likely to have had access to adequate sources of liquidity in the current economic environment, and because it will promote economic certainty for borrowers with more limited resources as they endeavor to retain and rehire employees.
- For loans of $2 million or more: Your good faith certification made at the time you applied for your PPP loan may require supporting documentation at the time of your forgiveness request. SBA will review your loan for compliance with program requirements, including the basis for your certification that current economic uncertainty makes the PPP loan necessary to support ongoing operations, based on individual circumstances and SBA guidance. While there was initially no guidance provided to applicants with respect to this certification, SBA recently issued guidance that “large companies with adequate sources of liquidity to support the business’s ongoing operations” should carefully assess whether they can make this certification, “taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business.” Treasury noted that “it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith,” and subsequently clarified that this standard also applies to private companies. If SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification, SBA will seek repayment of the outstanding PPP loan balance and the loan will not be eligible for forgiveness. If the borrower repays the loan after receiving notification from SBA, then SBA
will not pursue further administrative enforcement or referrals to other agencies with respect to this certification.

IV.10 For a self-employed individual, an independent contractor, or a sole proprietor with no employees other than the business owner (i.e., your loan amount was based solely on your income as the business owner and did not include Payroll Costs for any other employee), what documentation is needed to show the entire PPP loan was used to pay owner income?
Because SBA calculates the amount of owner income on a strict formula based on your 2019 average monthly income, we do not believe you need to write yourself a check or provide any additional documentation to show that you have used your PPP loan to pay yourself your owner income. To use your full PPP loan for this purpose, however, you will need to wait at least two and a half months from the date you receive your PPP loan funds before you apply for forgiveness, because SBA will not allow you to pay yourself at a faster rate than you averaged in 2019. For self-employed individuals, independent contractors, and sole proprietors with no employees other than themselves, this may be the easiest way to use your PPP loan and be fully forgiven.

IV.11 What if SBA determines I was ineligible for a PPP loan?
SBA may direct a lender to deny your forgiveness request if SBA determines that the borrower was ineligible for a PPP loan. It is important to remember that SBA may review and make this determination at any time, and requires borrowers to keep all documentation related to your PPP loan and forgiveness request for at least 6 years from the date your loan is forgiven or repaid in full. If SBA makes this determination after your loan has been forgiven, you will be required to repay SBA in full.

IV.12 What if SBA determines I was ineligible for the amount of forgiveness requested?
SBA may direct a lender to deny any portion of your forgiveness request that it determines that amount was ineligible for forgiveness. It is important to remember that SBA may review and make this determination at any time, and requires borrowers to keep all documentation related to your PPP loan and forgiveness request for at least 6 years from the date your loan is forgiven or repaid in full. If SBA makes this determination after your loan has been forgiven, you will be required to repay SBA the portion that was ineligible for forgiveness.

IV.13 If I obtained my PPP loan through another lender, may I apply for forgiveness with Self-Help?
No, you must work with your lender to apply for forgiveness for your loan.

v. UNFORGIVEN AMOUNTS

V.1 What happens if there is any unforgiven balance on my PPP loan?
Any balance remaining on your loan will be due under the terms of your PPP Note (amortizing payments over the remaining loan term at 1% interest). For PPP loans approved by SBA prior to June 5, your PPP Note has a 2-year term, but you and your lender may mutually agree to extend your repayment term for any unforgiven amount if needed. For PPP loans approved by SBA on or after June 5, your PPP Note has a 5-year term. In either case, if you prefer, you may choose to prepay your PPP Note in full (there is no prepayment fee on your PPP loan.)

V.2 When will the debt forgiveness be applied to the loan?
Your forgiveness amount will be submitted to SBA within 60 days of the lender’s receipt of all required forgiveness application documentation (note however that SBA has not yet provided information to lenders on
the process to submit forgiveness determinations to SBA). SBA is required to remit payment of the forgiven amount to the lender within 90 days of our forgiveness determination submission. Your PPP loan will remain in deferral until the lender receives payment from SBA for the forgiven amount, if any. It is important to remember that SBA may review the loan at any time, whether before or after forgiveness is applied. If SBA determines the borrower was ineligible for a PPP loan, the borrower will be required to repay the loan in full. If SBA determines the borrower was ineligible for forgiveness of all or part of the PPP loan, the borrower will be required to repay the ineligible forgiveness amount. SBA requires borrowers to keep all documentation for 6 years from the date your loan is forgiven or repaid in full, and may ask for copies of your documentation as part of any review.

V.3 When do I have to start making payments on my PPP loan?
No payment is due until the date the forgiven amount has been determined and SBA has paid the PPP loan down by that amount; provided you will be required to start repaying the note if you fail to submit your forgiveness application within the required time period. You are required to submit your forgiveness application to your PPP lender within 10 months of the end of your Covered Period. Interest will continue to accrue on your PPP during this period. You are not responsible for payment of accrued interest on the portion of your PPP loan that is forgiven. If 100% of your PPP loan is forgiven, you will not be required to make principal or interest payments on your loan.

V.4 Am I responsible for interest on the forgiven loan amount?
No. You are not responsible for accrued interest on the portion of the loan that is forgiven.

VI. MISCELLANEOUS

VI.1 Are forgiven PPP dollars considered cancellation-of-indebtedness income for federal tax purposes?
No. Unlike normal circumstances where canceled debt is considered as taxable income, forgiven PPP loan amounts will not be considered as taxable income.

VI.2 Can I include forgiven payroll costs and expenses as deductible expenses in calculating my taxable income?
No. Under IRS Notice 2020-32, forgiven PPP loan amounts may not be included as deductions from income on your tax return. For example, if you use PPP loan proceeds to pay eligible rent for May and June, and receive forgiveness for those payments, you may not include May and June rent payments as rent expense on your tax return.

VI.3 If I received an SBA Economic Injury Disaster Loan (EIDL) Advance, does the amount of the EIDL Advance reduce my PPP forgiveness amount?
If your PPP loan refinanced an EIDL that you used for Payroll Costs, then the amount of your EIDL Advance will reduce your PPP forgiveness amount. If your PPP loan did not refinance an EIDL because you used your EIDL proceeds to pay other business expenses, then despite the CARES Act and SBA language that an EIDL Advance is not required to be repaid, it appears your EIDL Advance may also reduce your PPP forgiveness amount. We are seeking additional guidance from SBA on this point.

VI.4 May I receive both a PPP loan and unemployment compensation?
No. In general, if you are a self-employed individual, an independent contractor, or a sole proprietor with no employees other than yourself, you should consider whether unemployment compensation would be more
beneficial to you than a PPP loan. Contact your State unemployment office to determine the amount of unemployment compensation you would qualify to receive.

IV.5 May I defer payment of payroll taxes?
Yes. Under the original CARES Act, PPP borrowers were excluded from the provision allowing employers to defer the payment of payroll taxes, but the Paycheck Protection Program Flexibility Act expands this benefit to include PPP borrowers. Payroll taxes may be deferred through December 31, 2020. We recommend you work with your accountant or tax advisor to determine the deferred amounts and the dates by which the deferred amounts must be paid in full to avoid penalties.