THE COUNCIL

Payroll Protection Program Loan Forgiveness Do I Qualify?

2020 VIRTUAL BUSINESS OPPORTUNITY EXCHANGE

NOV 10 – 11, 2020

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Your PPP Loan

- Made as part of Coronavirus Aid, Relief and Economic Security (CARES) Act
  - With guidance provided by the Small Business Administration (the "SBA") and the United States Department of Treasury
- There have been recent changes in guidance regarding PPP Loan payments

Qualifying for PPP Loan Forgiveness

- To be eligible to convert to a grant, the money borrowed though the PPP must be used primarily to cover payroll along with some other expenses such as rent, utilities and interest on a mortgage.
- The non-payroll expenses cannot be more than 40 percent of the amount asked for forgiveness.
- The money generally also has to have been spent during a 24-week period that started once the business received the PPP funds.

What if my business laid off employees or cut wages?

- The PPP was intended primarily to keep small businesses — which employ roughly 47 percent of all private sector employees — from firing workers.
- If changes to staffing and/or wages have you concerned about how much of your PPP loan could ultimately qualify for forgiveness, you have until Dec. 31, 2020, to raise wages and bring back workers to be eligible for the full amount of forgiveness.

If A Borrower Wishes PPP Loan Forgiveness, the Borrower **Must Submit an Application by the Application Deadline**

- The Application Deadline:
  - **Occurs within 10 months after the end of the borrower's Covered Period (8 weeks or 24 weeks from the date of the loan).**
  - The SBA will determine what portion of the loan, if any, is forgiven.
- If the loan is forgiven in its entirety, no payments are due.
  - If all or any portion of the loan is not forgiven, then the PPP Loan lending bank will notify the borrower of such amounts due and the date on which the first payment is due.

If A Borrower Wishes PPP Loan Forgiveness, the Borrower **Must Submit an Application by the Application Deadline**

- If a borrower fails to submit to its PPP Loan lending bank a forgiveness application by the Application Deadline, then the first payment is due on or after the Application Deadline.
- Your PPP Loan payments are deferred in accordance with the above.
  - **As such, your first payment is not due until the end of the Deferral Period**

The Deferral Period

If the Borrower Submits the Forgiveness Application by the Application Deadline

Payments are deferred until the first due date after the SBA remits your forgiveness amount to the bank .

Example with 24 week Covered Period:

If the loan is originated on April 1, 2020, the Cover Period ends on September 16, 2020. The borrower then has 10 months from the end of the Covered Period to submit its forgiveness application, which is July 16, 2021 in this instance.*

Note 1: If June 30, 2020, then December 15, 2020 and October 15, 2021

Note 2: If August 8, 2020, then January 23, 2021 and November 23, 2021

If the Borrower Submits the Forgiveness Application by the Application Deadline

Payments are deferred until the first due date after the SBA remits your forgiveness amount to the bank .

Example with 8 week Covered Period:

If the loan is originated on April 1, 2020, the Cover period ends on May 27, 2020. The borrower then has 10 months from the end of the Covered Period to submit its forgiveness application, which is on March 27, 2021 in this instance.*

Assuming the borrower selects the 24-week Covered Period

- If borrower submits its forgiveness application by July 16, 2021, then the borrower is not required to make a payment until such time that the SBA remits to lender the forgiveness amount.
- Note: Since the Bank is provided two (2) months to process the forgiveness application and the SBA is provided three (3) months to remit the forgiveness amount to lender, the borrower's first payment could be deferred up to December 16, 2021.

Failure To Submit

Failure to Submit A PPP Loan Forgiveness Application

The first due date is immediately following the Application Deadline, as set out in a notice by the Bank or your PPP Loan statement.

Example with 24 week Covered Period:

If the loan is originated on April 1, 2020, the Cover Period ends on September 16, 2020. The forgiveness application would be due on July 16, 2021. If the borrower fails to submit its forgiveness application by July 16, 2021, then it must start making payments on the next due date after July 16, 2021. Assuming payments were due on the 1st of each month, borrower would begin making payments on August 1, 2021.

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Failure to Submit A PPP Loan Forgiveness Application

The first due date is immediately following the Application Deadline, as set out in a notice by the Bank or your PPP Loan statement.

Example with 8 week Covered Period:

If the loan is originated on April 1, 2020, the Cover period ends on May 27, 2020. The forgiveness application is due on March 27, 2021. If the borrower fails to submit its forgiveness application by March 27, 2021, then it must start making payments on the next due date after March 27, 2021. Assuming payments were due on the 1st of each month, borrower would begin making payments on April 1, 2021.

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Your PPP Loan

- Interest continues to accrue during the Deferral Period and deferred payments of principal and interest may result in a final balloon payment upon maturity.
- The Bank has no obligation to extend the Deferral Period or to renew or modify the PPP Loan except to the extent required by Applicable Law.
- Nothing prevents you from making voluntary payments if you choose to do so.

Resources

- If you are a PPP borrower, reach out to your lender directly if they have not already contacted you about converting your loan to a grant. You can also find the necessary paperwork on the SBA website. You can find the PPP Loan Forgiveness Application Form 3508S for borrowers of $50,000 or less here. The instructions for completing that form are available here.

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Thank You

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