

Paycheck Protection Program Simplified Forgiveness (\$50K and below)



U.S. Small Business
Administration

PPP Forgiveness Simplified

Reference materials

- **PPP Interim Final Rule - Additional Revisions to Loan Forgiveness and Loan Review Procedures Interim Final Rule**
 - <https://www.sba.gov/sites/default/files/2020-10/PPP%20-%20IFR%20--%20Additional%20Revisions%20to%20Loan%20Forgiveness%20and%20Loan%20Review%20Procedures%20Interim%20Final%20Rules-508.pdf>
- **SBA Form 3508S - PPP Loan Forgiveness Application Form**
 - <https://www.sba.gov/sites/default/files/2020-10/PPP%20Loan%20Forgiveness%20Application%20Form%203508S.pdf>
- **SBA Form 3508S - PPP Loan Forgiveness Application Instructions**
 - <https://www.sba.gov/sites/default/files/2020-10/PPP%20Loan%20Forgiveness%20Application%20Form%203508S%20Instructions-508.pdf>
- **PPP Loan Forgiveness FAQ's**
 - <https://www.sba.gov/sites/default/files/2020-10/PPP%20--%20Loan%20Forgiveness%20FAQs%20%28October%202013%2C%202020%29-508.pdf>

Simplified PPP Forgiveness

Overview

- Simplified forgiveness for PPP Loans of \$50K or less
 - **No reduction in forgiveness** amount due to reduction in FTE or pay reductions
 - Less paperwork required
- Nationally – 68% of PPP met this criteria (3.57M out of 5.2M loans)
 - Represents \$62B of loan dollars (11.8% of total loan volume by dollars)
 - 1.71M of loans that met criteria were sole proprietors/reported no employee wages
- Balancing efficiency with fraud prevention
- Risk assessed that ~9%/\$49M of overall PPP loan amounts

PPP Forgiveness Process

Overview



- Borrower completes and submits loan forgiveness application to lender
- Lender has up to 60 days to submit forgiveness decision to SBA
- SBA has up to 90 days to remit forgiveness amount to the lender
- Any amount of loan not forgiven must be repaid before the 2-year maturity date*

*New loans made after enactment of PPP Flexibility Act have a 5-year term.

PPP Forgiveness

Process

1. Borrower collects required documentation
2. Borrower completes the SBA Form 3508S
3. Application submitted to lender
4. Lender submits to the SBA
5. SBA makes forgiveness determination, informs lender and remits forgiveness amount

Required Documentation for Submission

Reduced when compared to other applications

- Payroll – Eligible cash comp and non-cash benefits
 - Bank account statements or 3rd party payroll provider reports
 - Tax forms
 - Payroll tax filings (e.g. IRS form 941)
 - State quarterly business/wage reporting and unemployment insurance
 - Employer provided health insurance/retirement contributions
 - Payment receipts/cancelled checks/account statements
- Nonpayroll – Evidence of existence prior to 2/15/20
 - Business mortgage interest
 - Business rent or lease payments
 - Business utility payments
- Expenses paid or incurred during covered period

Required Documentation for Retention

All records relating to the PPP loan

- Docs demonstrating “material compliance” with PPP loan rules
- Application and supporting documentation
- Loan forgiveness application and supporting documentation
- 6-year retention period – starts when loan is fully forgiven or loan is paid in full

SBA Form 3508S

- **Business information**

- Use same info as on application

- **Forgiveness Amount**

- 60% requirement remains in place

- **Certifications**

- Seven required certifications

Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508S
OMB Control No. 3245-0407
Expiration date: 10/31/2020

A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS. A Borrower, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this 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: _____
Forgiveness Amount: _____

The Applicant hereby certifies to 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 does not exceed the principal amount of the PPP loan and:
 - 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 has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness, and has accurately calculated the forgiveness amount requested.
- 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 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.

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 3508S (10/20)

PPP Forgiveness

Guidelines/Limitations

- 8 or 24-week covered period
 - Assumed to be 24-week
 - Loans prior to 6/5 may elect 8-week period
- For payroll expenses only – may use alternate covered period
- Payroll costs must = at least 60% of the requested forgiveness amount
- Owner-employee/self-employed/general partner rules
 - 24-week covered period
 - Comp is the lesser of 2.5 months of 2019 compensation or \$20,833
 - 8-week covered period
 - Comp is the lesser of 8 weeks of 2019 compensation or \$15,385

Other PPP updates/FAQ's

- Q1 - It looks like the expiration date for application for forgiveness is 10/31/2020. Is that right?
- A1 – No, that's an administrative date related to the paperwork reduction act. A business may apply for forgiveness at any point (even after they've started making principal and interest payments).
- Q2 – I want to apply for forgiveness right away, but my lender isn't taking applications yet. Will I be penalized or have to pay additional interest?
- A2 – Any payment of principal and interest is deferred for 10 months after the end of the covered period. The forgiveness process allows that any interest that accrues on the PPP loan that relates to the principal that is forgiven will be paid as part of the forgiveness amount.

Other upcoming events

We're hosting two webinars for small business owners to walk through the simplified application.

- **Saturday, Oct. 17**, 10 a.m. Register at: <https://ppppforgivenessoct17.eventbrite.com>
- **Monday, Oct. 19**, 2:30 p.m. Register at: <https://ppppforgivenessoct19.eventbrite.com>



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