



The Four Keys to Establishing an Effective PPP Forgiveness Strategy

By Pat True, Risk Manager,
Jack Henry Lending

If at the beginning of 2020 you were to say that lenders would fund more Small Business Administration (SBA) loans in nine weeks than the SBA had approved in the past 20 years, no one would have believed you. Yet it did happen. During the last nine weeks, more than 5,500 lenders have approved in excess of \$513 billion dollars in Paycheck Protection Program (PPP) loans for the benefit of American businesses and their employees. More impressively, roughly 3,600 of these lenders were not previously engaged with SBA programs. But even though the past nine weeks have seen unprecedented levels of effort from the SBA and participating lenders, the most important work is still ahead. While the cash injection was important to the 4.4 million businesses that have received loans to date, the real impact will be the forgiveness of those obligations.

“Forgiveness says you are given another chance to make a new beginning.” When Desmond Tutu spoke those words, he was not referring to debtor/creditor transactions, but the statement holds true for the business owners who are attempting to survive our current economic crisis. Many of them had to shut their doors and put their dreams on hold for eight weeks or more before attempting a re-opening. It’s safe to say that business owners will never look at contingency planning and stress testing the same way again. The events of the last two months have raised the bar on what it means to be prepared for a business interruption.



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The work ahead for both lenders and borrowers within the PPP loan initiative is critical to helping these businesses get back on their feet. Lenders are now studying the latest guidance from the SBA and the U.S. Treasury to decide just how they are going to process four and a half million applications for forgiveness during the next several months. As you look ahead for the benefit of your own organization, you should consider the following four keys to an effective strategy. I have spent the past three weeks studying more than two dozen vendor solutions, from tech firms to business consultants and accountants. Everyone has their spin on what it will take to effectively handle the workload ahead. As you decide the direction of your own organization, consider these four keys. Also know that my intent in writing this material is not to sell you our solution. For me, the true beneficiary of an efficient PPP forgiveness strategy is not the vendor, the lender, or the SBA – it is the borrower. Everything about PPP has been done for the borrowers and the more than 38 million Americans who have filed claims for unemployment insurance in the past 10 weeks.

Key Number One – Initial Investment

Don’t choose a solution that requires an up-front financial commitment. The landscape of PPP forgiveness guidance is still evolving. Congress and the Treasury are still debating the rules of the game. While the PPP Loan Forgiveness Application was finally released on May 22, many questions have yet to be answered. Given the thin margins you have on this form of lending, it is in your best interest to keep your costs as low as possible during the forgiveness phase. As a result, your goal should be to find a solution that protects both you and your borrowers while not going overboard on expenses. There are plenty of good solutions already on the market that only require a per-loan expense.



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Key Number Two – The KISS Method (keep it simple)

Anyone who has read the current PPP Loan Forgiveness Application knows that it is quite complex and resembles a tax return methodology when calculating the ultimate amount of forgiveness a borrower will be granted. There is no doubt that technology can be utilized that will greatly simplify these transactions. From electronic entry of data to the running of calculations and the downloading of required documentation, the solution you choose will make a significant difference for your employees and your clients. Evaluate solutions and choose the one that makes the most sense for your organization – the one that best fits your style of workflow. PPP loan forgiveness calculations are not that complex, but the overall process will be extremely cumbersome if done manually. Look for the best methods of automating workflows and streamlining each task.

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Key Number Three – Timing is Everything

How long do you want these loans on your books at 1%? Given the average cost of funds today for lenders that initiated PPP loans, there is little to be gained by keeping these loans. More importantly, your goal should be to help your borrowers remove these potential obligations from their ledgers while achieving the highest rate of forgiveness possible under current guidelines. Choose a solution that allows you to proactively reach out to borrowers on the day they are eligible to begin the loan forgiveness process – as early as the first week of June for some. This is the best way to ensure that you are meeting the challenge of key number three while also fostering an open line of communication with your client.



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Key Number Four – Keeping Up with the Latest Guidance

If you think that you and your staff are confused about the guidelines for forgiveness, just consider how your borrowers must feel. As often as guidance has changed on this program, confusion is understandable. As you evaluate and eventually choose a forgiveness solution for your team to deploy, make sure that your vendor can keep up with the latest compliance guidance and perform the necessary changes to their own process to comply.



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Your forgiveness strategy will be critical to the outcome of your PPP lending efforts. It will impact both your employees and your borrowers in the months ahead. So take the time to consider these four keys and make the best decision for your organization.

While the last 10 weeks have required an almost unprecedented level of work for your staff under extreme conditions, the most important component still lies ahead of us. Let's finish this thing.