

IMPORTANT REMINDERS FOR BORROWERS TO OBTAIN FULL FORGIVENESS OF SBA PPP LOAN

Section 1106 of the CARES Act provides for forgiveness for the full principal balance amount of qualified loans guaranteed under PPP, plus any accrued interest. That is, you will not be responsible for any loan payment if you used all of the loan proceeds for a forgivable purpose and your employee and compensation levels were maintained. Below are details of what you must consider and track for you to receive the full amount of forgiveness under the program.

IT IS YOUR RESPONSIBILITY TO TRACK YOUR USE OF PPP LOAN PROCEEDS.

YOU WILL BE REQUIRED TO PROVIDE DOCUMENTATION WHEN APPLYING FOR PPP LOAN FORGIVENESS.

What Amount May Be Forgiven?

The actual amount of loan forgiveness will depend, in part, on the total amount of payroll costs, payments of interest on mortgage obligations incurred before Feb. 15, 2020, rent payments on leases dated before Feb. 15, 2020, and utility payments under service agreements dated before Feb. 15, 2020, over the 8-week period following the date of the loan. **At least 75% of PPP loan proceeds must be used for payroll costs.**

Payroll costs include:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave;
- Allowance for separation or dismissal;
- Payments required for the provisions of group health care benefits including insurance premiums;
- Payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

How Can SBA Restrict the Amount of Loan Forgiveness?

If you use PPP loan proceeds for unauthorized purposes, SBA will direct you to repay those amounts. If you knowingly use the funds for unauthorized purposes, you will be subject to additional liability such as charges for fraud. If one of your shareholders, members, or partners uses PPP loan proceeds for unauthorized purposes, SBA will have recourse against the shareholder, member, or partner for the unauthorized use.

Your loan forgiveness will be reduced by SBA if you decrease your full-time employee headcount. SBA will also reduce your forgiveness amount if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019. Speak to lender for more information regarding these required thresholds.

How Can You Request PPP Loan Forgiveness?

After 8 weeks from your PPP loan disbursement, you can submit a request to the lender servicing the PPP loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations, during the covered period. You will be required to certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender will make a decision on the forgiveness request based upon SBA's rules within 60 days.