



April 24, 2020

Payroll Protection Program Loan Forgiveness Highlights

Q: What will be the maturity date on a PPP loan?

A: The maturity date will be two years after the disbursement of the loan.

Q: When will payment on principal and interest be due on my PPP loan?

A: For the amount not forgivable, payments are required to begin six months following the date of disbursement of the loan. Interest will continue to accrue on PPP loans at one percent during this six-month deferment period.

Q: Will a portion, or all, of the PPP Loan Proceeds may be forgiven?

A: The loan forgiveness can be up to the full principal amount of the loan and any accrued interest. If loan proceeds are used for forgivable purposes, the borrower will not be responsible for any loan payments. The forgivable purposes, in addition to employee and compensation levels being maintained are as follows:

- Payroll Costs (Salaries, Wages, Vacation, Severance, Retirement Benefits, State & Local Taxes, and Parental, Family, Medical or Sick Leave);
- Costs for Related Group Health Care benefits;
- Employee Commissions and Tips;
- Interest on mortgage obligations incurred before February 15, 2020 (but not mortgage prepayments or principal payments);
- Rent payments on leases dated before February 15, 2020;
- Utility payments under service agreements dated before February 15, 2020;
- Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020;
- **At least 75% of the loan proceeds must be used for payroll costs.**

Q: Do Independent contractors count as employees for purposes of PPP loan forgiveness?

A: No, independent contractors have the ability the ability to apply for a PPP loan on their own, so they do not count for purposes of a borrower's PPP loan forgiveness.

Q: What happens if the PPP loan funds are misused?

A: If the borrower uses PPP fund for unauthorized purposes, the Small Business Association (SBA) will direct the borrower to repay those amounts. If the borrower used the funds knowingly for unauthorized purposes, they will be subject to an additional liability such as charges for fraud. If one of the shareholders, partners, or members uses the PPP funds for unauthorized purposes, the SBA will have recourse against them for that amount.

- The SBA has not outlined the determination of what constitutes as a misuse of funds other than any use of funds that are not used for the purposes outlined above.
- SBA guidelines will continue to be shared as they are updated.

Q: Can the lender rely on the borrower's documentation for loan forgiveness?

A: Yes, the lender does not need to conduct their own verification if the borrower submits documentation supporting its request for loan forgiveness and attests that it has accurately verified the payments for eligible costs.