

August 6, 2020

Dear Client,

We would like to take a moment and update you on some of the recent developments of the Small Business Administration (SBA) Payment Protection Program (PPP) and the forgiveness process. It is also important to consider the reasons why you may not want to rush your PPP loan forgiveness application.

### **Recent Developments**

The SBA has set a date of August 10, 2020, for lenders to begin submitting forgiveness applications for PPP loans. On July 23, 2020, the SBA issued a [procedural notice](#) to lenders outlining the process of applying for forgiveness for their borrowers. The SBA has created a forgiveness platform for lenders to use for the process.

In the notice, the SBA stressed that “providing an accurate calculation of the loan forgiveness amount is the responsibility of the borrower, and lenders may rely on borrower representations. Lenders are expected to perform a good-faith review, in a reasonable time, of the borrower’s calculations and supporting documents concerning amounts eligible for forgiveness.” It went on to say that the lender must review the application and submit its decision on forgiveness, with supporting documents, to the SBA no later than 60 days after its receipt from the borrower. Furthermore, the SBA will have the opportunity to review all PPP loans at any time, if needed.

A borrower may submit a loan forgiveness application to their lender before the end of the eight-week or 24-week covered period. However, most lenders are not ready to process forgiveness applications. Many are developing technology tools such as “forgiveness portals” or will leverage other automation options for a more efficient process. Borrowers will want to reach out to their specific lender to see when their forgiveness application will be ready for acceptance.

### **Potential Upcoming Changes**

Changes to PPP are again being discussed as a new round of coronavirus aid is under consideration with the Health, Economic Assistance, Liability Protection, and Schools (HEALS) Act. This potential plan provides for a second wave of PPP loans to help the hardest hit. This update could allow businesses, that have seen revenue declines of 50% or more, the ability to receive an additional loan. The act could also modify the loan forgiveness application.

### **Consider Not Rushing PPP Forgiveness Application**

While you may be anxious to begin this PPP forgiveness process, there is still uncertainty over some of the program details. The SBA has released a new set of [frequently asked questions](#) (FAQs) addressing PPP loan forgiveness. These FAQs address some, but certainly not all, of the questions we have been asking. In addition to the potential act updates and FAQs outlined above, additional reasons to consider not rushing your PPP forgiveness application are:

1. Organizations have 24 weeks to use their PPP money, leaving them more time to take steps that will help them qualify for full loan forgiveness. Borrowers who received their loans before June 5, 2020, can choose either eight weeks or 24 weeks for their covered period. That increased flexibility in the time to use PPP funds can be important in maximizing loan forgiveness.

2. Payroll costs are a significant component of PPP forgiveness. Many payroll providers are developing custom reports specifically to comply with PPP guidance. However, like lenders, they are waiting on final SBA and Treasury guidance so they can prepare the PPP-compliant reports borrowers will need.
3. Borrowers aren't required to make any loan payments before they apply for forgiveness or until 10 months after their covered loan period ends. Since payments aren't due yet, there is less urgency to apply for forgiveness.
4. Applying for forgiveness may be easier than clients expect. Borrowers can use a simplified process through SBA [Form 3508EZ](#) if they meet the requirements listed in the form.

With all these details in mind, it is important to gather the necessary documentation for PPP forgiveness prior to applying. We will continue communicating with you as updates occur.

Please contact us if you have any questions.

*The Team at Hunter, Hunter & Hunt*