

A woman and two children are standing in front of a vibrant, abstract mural. The woman, in the center, is wearing a light blue t-shirt and grey pants. She is holding hands with a young boy on her left and a young girl on her right. The boy is wearing a striped t-shirt and blue pants, and the girl is wearing a pink t-shirt with 'RED SOX' and '3' on it, and pink plaid pants. They are all smiling and have their arms raised. The mural behind them is composed of large, bold, colorful shapes in yellow, orange, pink, blue, and green. The text 'PPP Guidance on Loan Forgiveness' is overlaid on the right side of the image in a large, white, sans-serif font. Below this text, the words 'immito...' and 'LLSC' are visible in a smaller, white, sans-serif font. In the bottom right corner, the website 'elovecentral.com' is partially visible.

PPP Guidance on Loan Forgiveness

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PPP Loan Guidance for Borrowers

- This includes information from
 - Interim Final Rule - Business Loan Program Temporary Changes; Paycheck Protection Program-Requirements-Loan Forgiveness published on June 1 2020
 - Borrower PPP Loan Forgiveness Application published on May 16 2020
 - This presentation does not incorporate information from the Paycheck Protection Program Flexibility Act signed by President Trump on June 5

For the most up to date PPP Guidance, visit <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Forms and Supporting Documentation

Borrower Forgiveness Application (Form 3508)

- Posted on SBA Website on May 15
- Forgiveness Application to be completed by Borrower
- Fillable Format
- Required to be submitted to LISC / immito upon completion
- Electronic submission is allowed

Form is available here in English and Spanish:

<https://www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application>

Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0487
Expiration Date: 10/31/2020

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

To apply for forgiveness of your Paycheck Protection Program (PPP) loan, you (the Borrower) must complete this application as directed in these instructions, and **submit it to your Lender** (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender.

This application has the following components: (1) the PPP Loan Forgiveness Calculation Form; (2) PPP Schedule A; (3) the PPP Schedule A Worksheet; and (4) the (optional) PPP Borrower Demographic Information Form. All Borrowers must submit (1) and (2) to their Lender.

Instructions for PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")/DBA or Tradename (if applicable)/Business TIN (EIN, SSN): Enter the same information as on your Borrower Application Form.

Business Address/Business Phone/Primary Contact/E-mail Address: Enter the same information as on your Borrower Application Form, unless there has been a change in address or contact information.

SBA PPP Loan Number: Enter the loan number assigned by SBA at the time of loan approval. Request this number from the Lender if necessary.

Lender PPP Loan Number: Enter the loan number assigned to the PPP loan by the Lender.

PPP Loan Amount: Enter the disbursed principal amount of the PPP loan (the total loan amount you received from the Lender).

Employees at Time of Loan Application: Enter the total number of employees at the time of the Borrower's PPP Loan Application.

Employees at Time of Forgiveness Application: Enter the total number of employees at the time the Borrower is applying for loan forgiveness.

PPP Loan Disbursement Date: Enter the date that you received the PPP loan proceeds from the Lender. If loan proceeds were received on more than one date, enter the first date on which you received PPP loan proceeds.

EIDL Advance Amount: If the Borrower received an Economic Injury Disaster Loan (EIDL) advance, enter the amount.

EIDL Application Number: If the Borrower applied for an EIDL, enter the Borrower's EIDL Application Number.

Payroll Schedule: Select the box that corresponds to your payroll schedule.

Covered Period: Enter the eight-week (56-day) Covered Period of your PPP loan. The first day of the Covered Period must be the same as the PPP Loan Disbursement Date. For example, if the Borrower received its PPP loan proceeds on Monday, April 20, the first day of the Covered Period is April 20 and the last day of the Covered Period is Sunday, June 14.

Alternative Payroll Covered Period: For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the eight-week (56-day) period that begins on the first day of their first pay period following their PPP Loan Disbursement Date (the "Alternative Payroll Covered Period"). For example, if the Borrower received its PPP loan proceeds on Monday, April 20, and the first day of its first pay period following its PPP loan disbursement is Sunday, April 26, the first day of the Alternative Payroll Covered Period is April 26 and the last day of the Alternative Payroll Covered Period is Saturday, June 20. Borrowers who elect to use the Alternative Payroll Covered Period must apply the Alternative Payroll Covered Period wherever there is a reference in this application to "the Covered Period or the Alternative Payroll Covered Period." However, Borrowers must apply the Covered Period (not the Alternative Payroll Covered Period) wherever there is a reference in this application to "the Covered Period" only.

If Borrower Received PPP Loans in Excess of \$2 Million: Check the box if the Borrower, together with its affiliates (to the extent required under SBA's interim final rule on affiliates ([85 FR 20817](#) (April 15, 2020))) and not waived under 15 U.S.C. 636(a)(3)(D)(iv)), received PPP loans with an original principal amount in excess of \$2 million.

Forgiveness Amount Calculation (see Summary of Costs Eligible for Forgiveness below):

Line 1: Enter total eligible payroll costs incurred or paid during the Covered Period or the Alternative Payroll Covered Period.

SBA Form 3508 (05/20)
Page 1

Borrower Forgiveness Application & Supporting Documentation

Borrower Forgiveness - Four Part Application

- Part 1: PPP Loan Forgiveness Calculation Form – Submitted to LISC / immito
- Part 2: PPP Schedule A – Submitted to LISC / immito
- Part 3: PPP Schedule A Worksheet
- Part 4: Optional PPP Borrower Demographic Information Form – If completed, submitted to LISC / immito

Supporting Documentation

- Payroll – documentation verifying eligible cash compensation and non-cash benefit payments for the Covered Period (or Alternative Covered Period)
- Full Time Equivalent – documentation at the election of the borrower
- Non-payroll – documentation verifying existence of obligations / services prior to 2/15/2020 and eligible payments for Covered Period

Part 1: PPP Loan Forgiveness Calculation Form

- Submitted to LISC / immito
- Provides instructions for completion of the calculation form, including:
 - Specifically requiring borrower to identify whether it, together with its affiliates, received PPP loans with an original principal amount in excess of \$2 million
- Defines costs that are eligible for forgiveness
 - Eligible payroll costs
 - Costs paid + for the last pay period, costs incurred but not yet paid during the 8-week cover period (or alternative payroll covered period) limited to a maximum of \$100,000 annualized
 - Refers borrowers to IFR #1 (4/2/2020) for information regarding what qualifies as payroll costs

Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0487
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Business")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		Primary Contact	Email 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: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ Weekly ☐ Biweekly (every other week) ☐ Twice a month ☐ Monthly ☐ Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): _____

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): _____

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: _____

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): _____

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): _____

Line 9. PPP Loan Amount: _____

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75): _____

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): _____

SBA Form 3506 (05/20)
Page 3


Part 2: PPP Schedule A

- Submitted to LISC / immito
- Provides instructions for completion of PPP Schedule A

Paycheck Protection Program Loan Forgiveness Application		OMB Control Number 3245-0487 Expiration Date: 10/31/2020
PPP Schedule A		
<u>PPP Schedule A Worksheet, Table 1 Totals</u>		
Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:		
Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:		
Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1: If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here <input type="checkbox"/> and enter 0 on line 3.		
<u>PPP Schedule A Worksheet, Table 2 Totals</u>		
Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:		
Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:		
<u>Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period</u>		
Line 6. Total amount paid by Borrower for employer contributions for employee health insurance:		
Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans:		
Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation:		
<u>Compensation to Owners</u>		
Line 9. Total amount paid to owner-employees/self-employed individual/general partners: This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.		
<u>Total Payroll Costs</u>		
Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):		
<u>Full-Time Equivalency (FTE) Reduction Calculation</u> If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here <input type="checkbox"/> , skip lines 11 and 12 and enter 1.0 on line 13.		
Line 11. Average FTE during the Borrower's chosen reference period:		
Line 12. Total Average FTE (add lines 2 and 5):		
Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:		
SBA Form 3508 (05/20) Page 6		

LSC

- 8



**Paycheck Protection Program
Loan Forgiveness Application**

OMB Control Number 3245-0487
Expiration Date: 10/31/2020

PPP Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

Table 2: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5

Attach additional tables if additional rows are needed.

FTE Reduction Safe Harbor:

- Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: _____.
- Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: _____.
- If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Enter the borrower's total FTE as of June 30, 2020: _____.
- If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

SBA Form 3508 (05/20)


Page 9

OMB Control Number 3245-0487

Expiration Date: 10/31/2020

Part 4: Optional PPP Borrower Demographic Information Form

- Borrower submission of this form is optional
- LISC / immito collected voluntary demographic information at loan approval
- Demographic information is being collected for program reporting purposes only, created due to requests from Congress
- Data requested on EACH of the borrower's principals including:
 - Name and Position
 - Veteran Status
 - Gender
 - Race
 - Ethnicity

 **Paycheck Protection Program
Loan Forgiveness Application** OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Borrower Demographic Information Form (Optional)

Instructions

1. **Purpose.** Veteran/gender/race/ethnicity data is collected for program reporting purposes only.
2. **Description.** This form requests information about each of the Borrower's Principals. Add additional sheets if necessary.
3. **Definition of Principal.** The term "Principal" means:
 - For a self-employed individual, independent contractor, or a sole proprietor, the self-employed individual, independent contractor, or sole proprietor.
 - For a partnership, all general partners and all limited partners owning 20% or more of the equity of the Borrower, or any partner that is involved in the management of the Borrower's business.
 - For a corporation, all owners of 20% or more of the Borrower, and each officer and director.
 - For a limited liability company, all members owning 20% or more of the Borrower, and each officer and director.
 - Any individual hired by the Borrower to manage the day-to-day operations of the Borrower ("key employee").
 - Any trustee (if the Borrower is owned by a trust).
 - For a nonprofit organization, the officers and directors of the Borrower.
4. **Principal Name.** Insert the full name of the Principal.
5. **Position.** Identify the Principal's position; for example, self-employed individual; independent contractor; sole proprietor; general partner; owner; officer; director; member; or key employee.

Principal Name	Position
Veteran	1-Non-Veteran; 2-Veteran; 3-Service-Disabled Veteran; 4-Spouse of Veteran; X-Not Disclosed
Gender	M-Male; F-Female; X-Not Disclosed
Race (more than 1 may be selected)	1-American Indian or Alaska Native; 2-Asian; 3-Black or African-American; 4-Native Hawaiian or Pacific Islander; 5-White; X-Not Disclosed
Ethnicity	H-Hispanic or Latino; N-Not Hispanic or Latino; X-Not Disclosed

Disclosure is voluntary and will have no bearing on the loan forgiveness decision

Paperwork Reduction Act - You are not required to respond to this collection of information unless it displays a currently valid OMB Control Number. The estimated time for completing this application, including gathering data needed, is 180 minutes. Comments about this time or the information requested should be sent to Small Business Administration, Director, Records Management Division, 499 3rd St., SW, Washington DC 20416, and/or SBA Desk Officer, Office of Management and Budget, New Executive Office Building, Washington DC 20503.

SBA Form 3508 (05/20)
Page 11

Supporting Documentation - Payroll

Documentation verifying eligible cash compensation and non-cash benefit payments for the Covered Period (or Alternative Covered Period)

- Bank Statements or 3rd party payroll service provider reports documenting amount of cash compensation paid to employees
- Tax forms (or equivalent 3rd party payroll service provider reports) for the periods that overlap with the Covered Period or Alternative Payroll Covered Period
 - Payroll tax filings reported, or that will be reported to the IRS (typically Form 941)
 - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state
- Payment receipts, canceled checks, or account statements documenting the amount of employer contributions to employee health insurance and retirement plans that the borrower included in the forgiveness amount (PPP Schedule A, Lines 6 & 7)

Supporting Documentation – FTE

Documentation showing (at the election of the borrower)

- Average number of FTE employees on payroll per month employed by the borrower between 2/15 and 6/30/2019
- Average number of FTE employees on payroll per month employed by the borrower between 1/1 and 2/29/2020 OR
- For a seasonal employer, average number of FTE employees on payroll per month employed by the borrower between 2/15 and 6/30/2019, between 1/1 and 2/29/2020, OR any consecutive 12-week period between 5/1 and 9/15/2019
- Selected periods must be same selected for completing PPP Schedule A, line 11
 - Documents may include
 - Payroll tax filings reported, or that will be reported to the IRS (typically Form 941) AND
 - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported to the relevant state
 - Documents submitted may cover periods longer than the specified time period

Supporting Documentation – Non-Payroll

Documentation verifying existence of obligations / services prior to 2/15/2020 and eligible payments for Covered Period

- Business mortgage interest payments – copy of lender amortization schedule and receipts or canceled checks verifying eligible payments for covered period, or lender account statements from 2/2020 and the months of the covered period through 1-month after the end of the covered period verifying interest amounts and eligibility parameters
- Business rent or lease payments – copy of current lease agreement and receipts or canceled checks verifying eligible payments for covered period, or lessor account statements from 2/2020 and for the covered period through 1-month after the end of the covered period verifying eligible payments
- Business utility payments – copy of invoices from 2/2020 and those paid during the covered period and receipts, canceled checks or account statements verifying eligible payments

Supporting Documentation – For Borrower to Retain

Does not need to be submitted to LISC / immito but should be retained for your records

- PPP Schedule A Worksheet or its equivalent AND
- Documentation supporting the listing of each individual employee in Schedule A, Worksheet Table 1, including salary / hourly wage reduction calculation, if necessary
- Documentation supporting the listing of each individual employee in Schedule A, Worksheet Table 2, that lists each employee that received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000
- Documentation supporting the PPP Schedule A Worksheet “FTE and Safe Harbor”

Borrower must retain PPP documentation for 6 years after the date the loan is forgiven or paid in full AND permit authorized representatives of the SBA, including the OIG, to access such information as requested

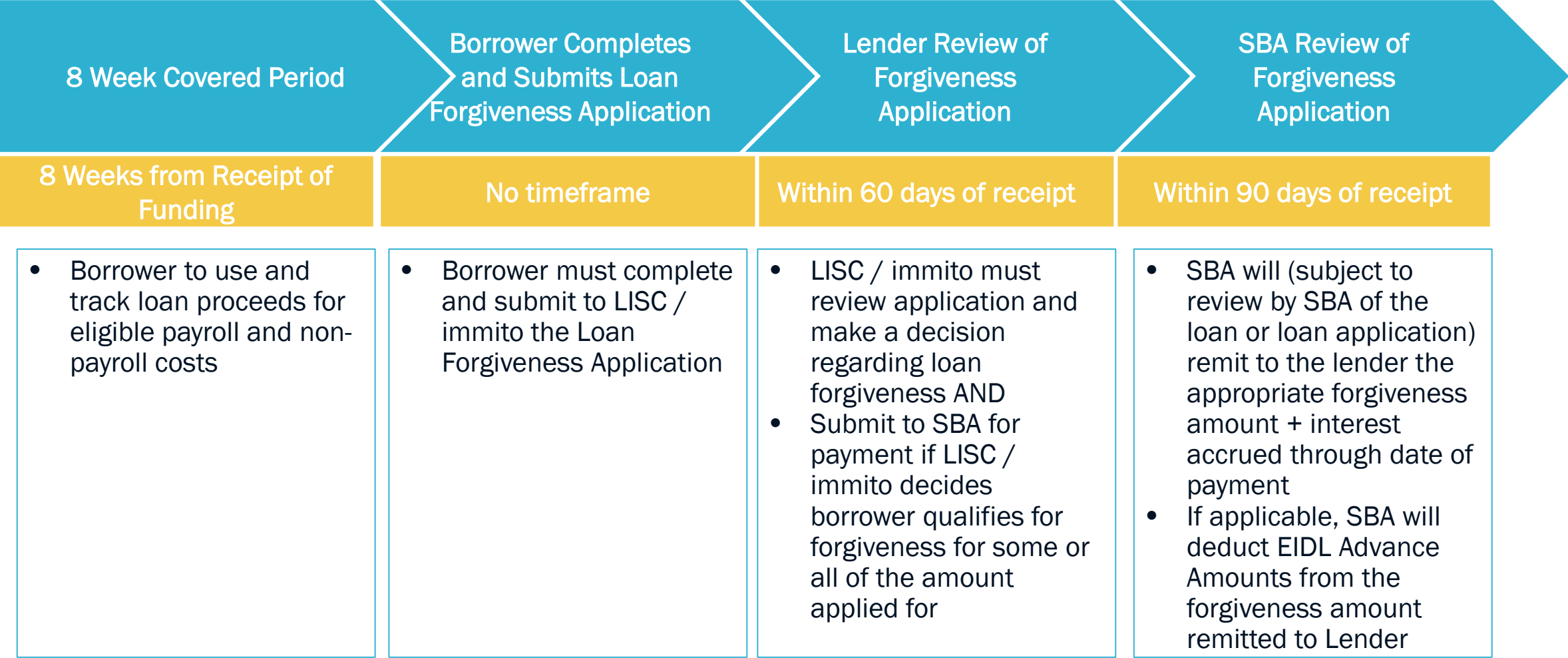
Borrower Responsibilities

- Provide accurate calculation of loan forgiveness is the responsibility of the borrower.
- Borrower must submit all required documentation to lender, provide an accurate calculation of the loan forgiveness amount and attest the accuracy of its reported information and calculations on the Loan Forgiveness Application

No documentation submitted to lender = No forgiveness

Forgiveness Process + Calculation

General Loan Forgiveness Process



General Loan Forgiveness Process

- As part of their review, the SBA will review loan for compliance with the
 - CARES Act
 - SBA rules or guidance applicable at the time of the borrowers application
 - Terms of the borrower's PPP loan application, e.g. borrower lacked an adequate basis for the certifications on the application
- LISC / immito are responsible for notifying borrower of the final forgiveness amount
 - If no forgiveness, or reduction in amount of forgiveness, borrower must repay remaining balance due on or before the 2-year maturity date
 - If the amount remitted to the lender exceeds the remaining principal balance on loan the lender must remit the excess amount, including accrued interest to borrower. This may happen if borrower makes payments after the 6 month deferment period

If the SBA determines the borrower was ineligible for a PPP loan, the loan is NOT eligible for forgiveness.

Forgiveness Amount

Payroll Costs

For employers - compensation for employees who principally reside in the US, including:

- Salary, wages, commissions or similar compensation
- Cash tips (or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for separation or dismissal
- Payment for retirement
- Payment of state and local taxes assessed for employee compensation

For independent contractor / sole proprietor

- Wages
- Commissions
- Income or net earnings from self-employment
- Or Similar



Non-Payroll Costs

- Interest payments on business mortgages for real or personal property incurred before 2/15/2020
- Payments of business rent on real or personal property under a lease in effect before 2/15/2020
- Business utility payments (electricity, gas, water, transportation, telephone, internet access) that began before 2/15/2020

Eligible Non-Payroll Costs ***CANNOT exceed 25%*** of total forgiveness amount

Eligible Payroll Costs - Timing

- Payroll costs paid or incurred during 8 consecutive week period are eligible for forgiveness
- 8 week period begins on either:
 - **Start of Covered Period:** Date of PPP loan disbursement
 - **Alternative Payroll Covered Period:** 1st day of 1st payroll cycle in the covered period
- SBA acknowledges the 8 week covered period may not align with borrower's payroll cycle so are allowing borrower to elect to use the alternative payroll covered period when borrower has bi-weekly or more frequent payroll period
- Example: A borrower has a bi-weekly payroll schedule (every other week). The borrower's eight-week covered period begins on June 1 and ends on July 26. The first day of the borrower's first payroll cycle that starts in the covered period is June 7. The borrower may elect an alternative payroll covered period for payroll cost purposes that starts on June 7 and ends 55 days later (for a total of 56 days) on August 1. Payroll costs paid during this alternative payroll covered period are eligible for forgiveness. In addition, payroll costs incurred during this alternative payroll covered period are eligible for forgiveness as long as they are paid on or before the first regular payroll date occurring after August 1. Payroll costs that were both paid and incurred during the covered period (or alternative payroll covered period) may only be counted once.

Eligible Payroll Costs – Eligible Payments

Eligibility of payments to furloughed employees, bonuses, hazard pay

- Payroll costs defined broadly to include compensation in the form of salary, wages, commissions or similar
- Payments to furloughed employees are eligible (subject to limit of \$100,000 on annualized basis)
- Hazard pay and bonuses are eligible (subject to \$100,000 limit)

Eligible Payroll Costs – Caps for owner-employees and self-employed

- Owner-employees: capped at 2019 employee cash compensation + employer retirement and health contributions made on their behalf
- Schedule C filers: capped at amount of owner compensation replacement calculated based on 2019 net profit
- General Partners: capped at amount of 2019 net earnings from self-employment (reduced by claimed section 179 expense deductions, unreimbursed partnership expenses and depletion from oil and gas properties) times .9235
- No additional forgiveness provided for retirement or health insurance contributions for self-employed individual, including Schedule C filer and general partners, since those expenses are paid out of net self-employment income

Loan forgiveness amount limited to 8/52 of 2019 compensation or \$15,385 per individual in total across all businesses

Eligible Non-payroll Costs – Timing

- Paid during covered period OR
- Incurred during covered period and paid on or before next regular billing date even if that date is after the covered period
- Example: A borrower's covered period begins on June 1 and ends on July 26. The borrower pays its May and June electricity bill during the covered period and pays its July electricity bill on August 10, which is the next regular billing date. The borrower may seek loan forgiveness for its May and June electricity bills, because they were paid during the covered period. In addition, the borrower may seek loan forgiveness for the portion of its July electricity bill through July 26 (the end of the covered period), because it was incurred during the covered period and paid on the next regular billing date.

Eligible Non-payroll Costs – Mortgage Payments

- Advanced payment of interest on a covered mortgage are NOT eligible
- Principal on a covered mortgage are NOT eligible

Reductions to Loan Forgiveness Amount – Employees

- Reduction during covered period of
 - Full-time equivalent (FTE) employees or
 - Employee salary and wages
- General statutory exemption applies if borrower rehires employees and restores salary and wage levels by 6/30
 - Includes borrowers who offer to rehire employees or restore employee hours but do not have offers accepted by employees
 - Exemption when borrower offered to rehire or restore employee hours but was declined
 - Borrower may exclude any reduction in FTE employee headcount attributable to an individual employee if:
 - Borrower made good faith, written offer to rehire or restore hours during covered period
 - Offer was for same salary or wages and same # of hours as earned by employee in last pay period prior to separation or reduction in hours
 - Offer rejected by employee
 - Borrower maintained records documenting offer and rejection AND
 - Within 30 days, borrower informed applicable state unemployment insurance office of rejected offer (more information on how to report to be posted on SBA's website)

Reductions to Loan Forgiveness Amount – Employees

- Generally forgiveness amount reduced by the same percentage as percentage reduction in FTE employees
- Calculation based on borrower-selected reference period (see slide 12)
- If average number of FTE employees during the covered period or alternative covered period is less than during reference period, total eligible expenses available for forgiveness reduced proportionally by percentage reduction in FTE employees.
 - For example, if a borrower had 10 FTE employees during reference period and 8 FTE employees during covered period – a 20% decline – so only 80% of eligible expenses are available for forgiveness

Reductions to Loan Forgiveness Amount – Employees

- Full-time equivalent employee = employee who works 40 hours or more on average a week
- Hours of employees who work less than 40 hours a week are calculated as proportion of a single FTE employee and aggregated
- To calculate, divide the average number of hours paid for each employee per week by 40, and cap at 1, e.g. if an employee is paid for 48 hours per week, they should be considered 1 FTE.
- For employees who were paid for less than 40 hours per week, borrowers can calculate FTE equivalency in two ways:
 - First, the borrower may calculate the average number of hours a part-time employee was paid per week:
 - Example: if an employee was paid for 30 hours per week on average during the covered period, the employee could be considered to be an FTE employee of 0.75.
 - Second, for administrative convenience, borrowers may elect to use a full-time equivalency of 0.5 for each part-time employee
 - Borrower can select one of the two options, and must apply consistently to all employees
- **Reduction Quotient** calculated by adding together all of the employee-level FTE employee calculation for the covered period or alternative covered period by the average number of employees during the selected reference period.

Reductions to Loan Forgiveness Amount – Reduction in Salary

- Reduction in excess of 25% will result in reduction of loan forgiveness amount unless an exception applies
 - For each new employee in 2020 and each existing employee who was paid more than the annualized equivalent of \$100,000 in any pay period in 2019, borrower must reduce total forgiveness amount by amount of salary or wage reductions greater than 25% of base salary or wages between 1/1 and 3/31
 - Example: A borrower reduced a full-time employee's weekly salary from \$1,000 per week during the reference period to \$700 per week during the covered period. The employee continued to work on a full-time basis during the covered period with an FTE of 1.0. In this case, the first \$250 (25 percent of \$1,000) is exempted from the reduction. Borrowers seeking forgiveness would list \$400 as the salary/hourly wage reduction for that employee (the extra \$50 weekly reduction multiplied by eight weeks).
- Reduction calculated on a per employee basis – not in the aggregate
 - Reduction based on a reduction in number of employees relative to reduction relating to salary and wages. To avoid double penalty, salary / wage reduction applies only to portion of decline in employee salary and wages NOT attributable to FTE reduction
- Exception exists when, if by 6/30, borrower restores reductions made to employee salaries and wages or FTE employees
 - If reductions eliminated by 6/30, borrower exempt from reduction in forgiveness amount
- Reductions for when employee is fired for cause, voluntarily resigns or voluntarily requests fewer hours
 - Borrower may still count employee at same FTE level as before event occurred

SBA Loan Review – Borrower Related Responsibilities

Basis for Review

- SBA's review of borrower certifications and representations regarding the borrower's eligibility for a PPP loan and loan forgiveness and the borrower's use of PPP loan proceeds, is essential to ensure that PPP loans are directed to the entities Congress intended and that PPP loan proceeds are used for the purposes Congress required including the CARES Act's central purpose of keeping workers paid and employed
- SBA may review ANY PPP loan as it deems appropriate

What and when will the SBA review?

What?

- Borrower eligibility for the loan
 - Based on the CARES Act, rules and guidance available at the time of borrower's PPP loan application and terms of borrowers loan application, including –
 - SBA regulations as modified by IRFs
 - Information, certifications and representations on Borrower Application Form and Loan Forgiveness Application Form
 - Loan amounts and use of proceeds
 - Whether the borrower correctly calculated the loan amount and used proceeds for allowable uses as specified in the CARES Act
 - Loan forgiveness amounts
 - Whether borrower is entitled to loan forgiveness in the amount claimed on its Loan Forgiveness Application (SBA Form 3508 or lender's equivalent form)

When

- For a PPP loan of any size, SBA may undertake a review at any time in its discretion
- Record retention requirements for borrowers and lenders apply

Borrower Opportunity to Respond

- If loan documentation submitted to SBA by the lender or any other information received by SBA indicates that the borrower may be:
 - Ineligible for a PPP loan, or
 - Ineligible to receive the loan amount
 - Ineligible to receive the loan forgiveness amount claimed by the borrower
- SBA either will require lender to contact borrower in writing to request additional information OR may request information directly from borrower
- SBA will consider all information provided by borrower in response or either inquiry
- Borrower's failure to respond may result in determination that the borrower was ineligible for PPP loan or ineligible for PPP loan or ineligible to receive the loan amount or loan forgiveness amount claimed by borrower

No Forgiveness due to Ineligibility

- If SBA determines borrower is ineligible for PPP loan, SBA will direct lender to deny the loan forgiveness application
- If SBA determines borrower is ineligible for loan amount or loan forgiveness amount claimed by borrower, SBA will direct lender to deny loan forgiveness application in whole or in part, as appropriate
- SBA also may seek repayment of the outstanding PPP loan balance or pursue other available remedies
- Borrower may appeal SBA's determination that it is ineligible for a PPP loan or ineligible for loan amount or forgiveness amount it claimed (separate IFR to be published)

CARES Act provides loan forgiveness ONLY if borrower is an eligible recipient