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# Paycheck Protection Program Loan Forgiveness Reference Guide

Source: Small Business Administration, September 2020

Your loan may be eligible for forgiveness for expenses related to payroll, mortgage interest, rent, or utilities paid or incurred within 24 weeks following the origination date of your PPP loan. You, the borrower, may not be responsible for repayment of the loan if you use all the funds for forgivable expenses. U.S. Bank will follow Small Business Administration (SBA) guidance to determine the amount that is forgivable and will require an application with supporting documentation.

**Please note:** On July 23, the SBA announced their PPP Forgiveness Platform will open and begin accepting lender submissions on August 10. We are opening our digital loan forgiveness application to a pilot group in the coming weeks and will be ready to submit completed pilot participant forgiveness applications to the SBA when their platform opens. This timing is subject to extension if any new legislative amendments to the forgiveness process require system changes. Please watch your email for further information.

You can also refer to the [SBA](#)<sup>1</sup> and the [U.S. Treasury Paycheck Protection Program](#) websites for specific guidance regarding loan forgiveness and additional explanation on the program.

## FAQ categories

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## 1. Eligibility and the covered period

Business expenses eligible for forgiveness

Loan funds can be used for the Below business-related expenses:

- Payroll, including benefits, to retain employees.
- Mortgage interest payments for mortgages originated prior to February 15, 2020.
- Rent payments on leases in force before February 15, 2020.
- Utility payments, as long as the services began before February 15, 2020.

Congress/SBA is considering modifications that may impact the loan amount that is eligible for forgiveness

Congress continues to consider changes to the program as part of COVID-19 relief programs. When they release new guidance or legislation is enacted, we will make required updates to our loan application, loan agreement, and forgiveness application process.

## How do I maximize potential loan forgiveness?

In addition to using loan funds on eligible expenses, follow the guidance below to maximize potential loan forgiveness:

- Expenses must be either paid or incurred during the 24-week period that begins on the date when you received your loan funds.
- At least 60 percent of the PPP loan proceeds should be spent on payroll expenses and no more than 40 percent of the loan forgiveness amount can be used to non-payroll expenses (e.g., mortgage interest, rent or utility payments).
- Retain existing full-time equivalent (FTE) employee levels and maintain at least 75 percent of existing employee compensation levels through the covered period.

## What is the covered period and when does it start?

The covered period is the time in which businesses must incur or pay expenses to be considered for forgiveness. The covered period starts on the date loan proceeds are disbursed.

- SBA loan number issued on or after 6/5: Covered period duration 24 weeks
- SBA loan number issued before 6/5: Covered period duration 24 weeks, although borrowers may select an 8-week covered period if they choose

## What is an alternative payroll covered period?

If you have a biweekly (or more frequent) payroll schedule, you may elect to calculate eligible payroll costs using a covered period that aligns with your payroll schedule. This alternative payroll covered period must begin the first day of the first pay period following the loan disbursement date and last exactly 8 or 24 weeks, depending on the duration of your covered period.

Note: the alternative payroll covered period does not apply to non-payroll expenses, such as rent, mortgage interest and utilities.

## 2. Applying for loan forgiveness

### When can I apply for forgiveness?

Under current SBA guidance, you may apply for forgiveness any time after you've used all of the loan proceeds for which you are requesting forgiveness.

We plan to open our digital loan forgiveness application in the coming weeks and will be ready to submit completed forgiveness applications to the SBA. This timing is subject to extension if any new legislative amendments to the forgiveness process require system changes. We will continue to communicate updates

## When should I apply?

Considerations for deciding when to apply for forgiveness:

**Have I used all the funds?** If you have exhausted the funds you intend to use on expenses eligible for forgiveness, you may opt to apply for forgiveness as soon as the digital application is available to you. Those who have not exhausted funds may prefer to wait until the end of their covered period to maximize their loan forgiveness amount.

**Do I have all the documents ready?** At the time of application, you should be ready to submit all supporting documentation. Some of these documents may not be available immediately, such as proof of payment for expenses incurred during the covered period and paid after, or quarterly tax statements. We recommend having full documentation for all eligible expenses before starting the digital application.

**Do I need to prove staffing levels?** In some cases, you will need to prove you have maintained staffing levels through the end of their covered period, or reinstated prior staffing levels before December 31, 2020. This does not apply to businesses with employees that had COVID-related business interruptions due to compliance with federal, state and local guidance. Those situations will require borrowers to wait until the end of their covered period or the date of full staffing before submitting a forgiveness application.

**When will I need to start making payments?** Payments on your loan will be deferred until the SBA provides a decision on your loan forgiveness application.

## When is the latest I can apply for forgiveness?

The latest date you can apply for loan forgiveness is the maturity date of the loan, but you will need to start making payments before then. You will have until 10 months after the last day of the 24-week covered period to apply before you must make the first payment.

## Do I have to wait 24 weeks to apply?

According to current SBA guidance, all borrowers will have a 24-week covered period; those whose loan was approved by the SBA prior to June 5, 2020, have the option to elect an eight-week covered period. Currently, you can apply early in some situations:

**Businesses without employees** (other than the owners) may apply for loan forgiveness once you have used all the funds and have the necessary documentation, even if your covered period is not over. This applies to all business structures where there were no employees at the time of PPP loan application, and you did not include any employee salaries in the computation of average monthly payroll in your PPP loan application.

**Business owners with employees** can apply once you have used all the PPP loan proceeds and have the necessary documentation for your application.

- You should consider the timing of your application relative to needing to meet any safe harbor requirements and related certifications.
- If you've determined that you have reduced employee salary or wages by more than 25% and want to apply before the end of your covered period, you must assume that reduction across the full duration of your covered period.

Please note that consistent with the latest Procedural Notice from the SBA, subject to certain limited exceptions, you may only submit one loan forgiveness application. Once we render a decision on a borrower's application and communicate it to the SBA, you cannot submit a second application.

**Should I fill out the SBA paper application?**

No, please do not fill out the paper application. We will provide a digital loan forgiveness application that mirrors the most up-to-date SBA form. Using the SBA's paper application form as a reference may be helpful in preparation, but please use the digital portal to fill out the application, upload relevant documents and complete the required attestations and signatures.

**Do I need my loan number and SBA number for my forgiveness application?**

Yes, but our digital forgiveness application will auto-populate the SBA number, loan number and lender number for you.

**My loan agreement says I should apply for forgiveness within 60 days of funding. Is that still necessary?**

No, with the extension of the covered period to 24 weeks, and additional changes to the forgiveness rules, you do not need to apply within 60 days of funding.

**How do I determine which application form to use (standard Form 3508 or Form 3508EZ)?**

The digital forgiveness application will present you with questions to determine if you're eligible to use the 3508EZ. If you're eligible for the 3508EZ, you will automatically be presented with that application

**What is different between the 3508EZ and the standard 3508?**

Borrowers using the 3508EZ do not complete the PPP Schedule A or accompanying PPP Schedule A Worksheet. The EZ form requires fewer individual employee-level calculations to determine eligible payroll costs.

**Who can use the 3508EZ?**

1. Sole proprietors, independent contractors and other businesses who had no employees at the time of loan application and did not include any employee salaries in the computation of their loan amount; and
2. Businesses who did not reduce employee compensation by greater than 25% during the covered period as compared to January 1 – March 31, 2020 (excluding employees who received, during any single pay period in 2019, annualized compensation of more than \$100,000) and also meet one of the following criteria:
  - They did not reduce the number of employees or the average hours per employee between January 1, 2020 and the end of the covered period (subject to certain exceptions).
  - They were unable to operate at the same level of business activity as before February 15, 2020, due to compliance with COVID-19 guidance or requirements from Health and Human Services (HHS), Centers for Disease Control and Prevention (CDC) or Occupational Safety and Health Administration (OSHA), including shutdown orders and requirements to operate at reduced capacity from state and local government.

### 3. Documentation

What supporting documentation is needed for my application for forgiveness?

The type of documentation required may vary depending on the nature of the cost for which you are seeking forgiveness. Our PPP Forgiveness Documentation reference guides can help in preparation. All supporting documentation is required to submit the forgiveness application. You may need to wait for statements to be issued in order to submit your application.

Where can I see a complete listing of documentation required by the SBA?

A complete listing of the documentation required by the SBA:

- Form 3508: Page six of the [SBA PPP Loan Forgiveness Application Instructions for Borrowers](#) (6-16-20)
- Form 3508EZ: Page four of the [SBA Paycheck Protection Program EZ Loan Forgiveness Application Instructions](#)

### 4. Loan repayment

Can my PPP loan be partially forgiven?

Yes. The amount of loan forgiveness can be up to the full principal amount of the loan and any accrued interest. The actual amount of loan forgiveness will depend on if the qualifying criteria is met. You will be required to repay any portion of your loan that does not qualify for forgiveness.

When will I have to repay the part of my loan that isn't forgiven?

You will not have to make any payments on your loan until we receive the SBA's decision on your application for loan forgiveness. Once you have submitted your complete forgiveness application, the review process can take as long as 150 days – 60 days for U.S. Bank to complete the lender review process and 90 days for the SBA to complete their review under the current guidelines. If you do not submit an application for loan forgiveness within 10 months after the last day of the covered period, you must begin making payments on your loan at that time.

My loan agreement says that I must start making monthly payments after six months, but the PPP Flexibility Act states I have longer. What do I do?

All loans are subject to the updates from the PPP Flexibility Act, regardless of the loan agreement language. Therefore, as long as you submit an application for loan forgiveness within 10 months after the end of your covered period, loan payments will be deferred until we receive the SBA's decision on your application.

How will interest be accrued on my PPP loan?

You will be responsible for interest accrued on the portion of the loan that does not qualify for loan forgiveness. Interest accrual begins on the date of disbursement.