

**Frequently Asked Questions (FAQ) on the SBA's PPP  
Loan Forgiveness Process  
November 18, 2020**

*Information is current as of the date of this document.*

**1. When can customers apply for forgiveness of their PPP Loan?**

If customers received a PPP loan through FCW, they can apply for forgiveness via our myFCW site once our online forgiveness application is available. FCW will send a notification to PPP borrowers when the site is available.

**2. Where do I apply for loan forgiveness?**

Businesses that received a PPP loan need to request forgiveness through the lender that funded their loan.

If you received a PPP loan through FCW, you'll first go to [www.farmcreditwest.com](http://www.farmcreditwest.com) and log in to your myFCW account in the upper right login box. Then, once logged in to your myFCW account, click on the "Apply Now" box in the SBA PPP Loan Forgiveness section. You'll log in to your PPP dashboard using the same log-in credentials as your original application. If you forgot your password or are having other log in issues, use the "Forgot Password" link to receive an email to reset your password.

If you received a PPP loan through Kabbage, you'll need to go to the Kabbage site to apply for forgiveness or get additional information on their forgiveness process.

**3. Who determines the amount of loan forgiveness?**

The U.S. Treasury and Small Business Administration (SBA) are responsible for the rules of the program, which determine the amount of loan forgiveness you may receive. This can include full, partial or no forgiveness.

We encourage you to visit the [U.S. Treasury](http://www.treasury.gov) and [SBA](http://www.sba.gov) websites for the most up-to-date program rules and guidance.

**4. Which PPP Loan Forgiveness application should I use? (How do I know if I qualify to use the simplified Forgiveness applications, either Form 3508EZ or 3508S?)**

In an effort to make it easier for some businesses to apply for PPP loan forgiveness, the SBA published several simplified PPP Loan Forgiveness Application Form 3508EZ and 3508S for borrowers who meet certain requirements. To determine if you are able to use these applications, you should review the instructions for each application linked in question #5 below and available on the SBA's website.

A summary of the criteria for using the Form 3508EZ:

- Are self-employed and have no employees; or
- Did not reduce the salaries or wages of your employees by more than 25%, and did not reduce the number or hours of your employees; or

- Experienced reductions in business activity as a result of health directives related to COVID-19, and did not reduce the salaries or wages of your employees by more than 25%.

A summary of the criteria for using the Form 3508S:

- PPP loan is \$50,000 or less; and
- The borrower, together with its affiliates (as defined by SBA), received PPP loans less than \$2 million.

You must answer and certify these criteria to be eligible for the shortened applications. As you go through the steps in the forgiveness portal it will automatically allow you to select the appropriate application relevant to your situation (and your certifications), you do not need to reach out to your institution for the shortened application form.

Borrowers who do not meet the requirements for using Form 3508EZ or 3508S will apply using the PPP Loan Forgiveness Application Form 3508.

## **5. How can I prepare to apply for loan forgiveness?**

Once you determine which SBA Loan Forgiveness Application Form you will use, we recommend that prior to applying for forgiveness, you carefully review the forms and gather the required documentation specified in the instructions:

- [PPP EZ Loan Forgiveness Application Form 3508EZ](#)
- [PPP EZ Loan Forgiveness Application Instructions](#)
- [PPP S Loan Forgiveness Application Form 3508S](#)
- [PPP S Loan Forgiveness Application Instructions](#)
- [PPP Loan Forgiveness Application Form 3508](#)
- [PPP Loan Forgiveness Application Instructions](#)

The required support documentation will depend on which expenses you are claiming in your forgiveness application. However, before you begin the application process, we recommend the following:

- If you are completing the full 3508 application, complete the Schedule A and/or Schedule A worksheet (or at least have the information on-hand to complete these schedules).
- If you had an SBA EIDL advance, you'll need the EIDL loan number and amount of the advance.
- Gather documentation to verify eligible expenses claimed as part of your forgiveness application. SBA advises the use of filed federal or state tax documentation whenever possible. Examples of acceptable support documentation include:

- [Payroll Expenses](#)
  - IRS income, payroll, tax filings (941/943) and/or
  - State income, payroll, tax, unemployment insurance filings (DE/DE9/etc.)
  - Payroll journal or employee earning report for covered period

- Bank account statements/Cancelled checks/ACH confirmations of payments for payroll and/or state and local taxes (SALT)
- 3<sup>rd</sup> party payroll service provider reports
- 2019 1040 Sch C/E/F/1099 (for sole proprietors/independent contractors/payments to owners/etc.)
- Benefits
  - Account statements documenting employer contributions for insurance benefits/retirement plans
  - Cancelled checks/ Payment receipts/ACH confirmation of payment to benefits provider
- Nonpayroll Expenses (must be in the PPP borrower's name and in place prior to 2/15/20)
  - Cancelled checks/Payment receipts/ACH confirmations of payment for utilities during covered period.
  - Copies of accounts for mortgage interest on real estate or personal property, lease, utility payments
  - Lender's amortization schedule (for interest paid)
  - Lease agreement/lessor account statement (for rent/lease paid)
  - Proof that the accounts were in place prior to 2/15/20
- Employee Information
  - Documentation showing employer calculation of applicable FTEs
  - Documentation showing excess compensation >\$100M
  - Documentation of employee earnings/pay rates before and after covered period

**6. There are various Covered Periods mentioned in the PPP resources. What is the Covered Period? The Alternative Payroll Covered Period? 8-week Covered Period? 24-week Covered Period?**

These are really important terms that will determine what records and information you'll need to document your forgivable expenses.

In most situations, the 24-week Covered Period provides borrowers with the most flexibility in using the entire PPP loan proceeds for eligible purposes. However, if you have questions on which period to use, please consult your accountant or tax professional.

- **The Covered Period** means either the Eight-Week Covered Period or the 24-Week Covered Period, as applicable.
- **The Alternative Payroll Covered Period** allows you to adjust the relevant Covered Period for eligible payroll expenses – but not for eligible nonpayroll expenses – to match your typical payroll cycle. You must use a bi-weekly pay schedule or a more frequent pay schedule to use this Alternative Payroll Cover Period. If your PPP loan was funded in the middle of a typical payroll cycle, you may elect to start the Covered Period for forgivable payroll expenses on the first day of the next typical payroll cycle, which becomes the first day of the Alternative Payroll Covered Period (either eight-week or 24-week).

- **The Eight-Week Covered Period**, contained in the original PPP guidelines, is the 56 calendar days (*eight weeks*) following the date your PPP Loan was funded.
- **The 24-Week Covered Period** is the 168 calendar days (*24 weeks*) following the date your PPP loan was funded. It was introduced in the PPP Flexibility Act to help businesses qualify for forgiveness who needed more than eight weeks to meet the program’s requirements for forgiveness.

*Covered Period example:* if you are using a 24-week Covered Period and received your 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, October 4.

*Alternative Payroll Covered Period example:* if you are using a 24-week Alternative Payroll Covered Period and received your PPP loan proceeds on Monday, April 20, and the first day of the first pay period following 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, October 10.

If you elect to use any Alternative Payroll Covered Period, you 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, you must apply the Covered Period -- not the Alternative Payroll Covered Period -- wherever there is a reference in this application to “the Covered Period” only.

Neither the Covered Period nor the Alternative Payroll Covered Period can extend beyond December 31, 2020.

## **7. How could my loan forgiveness be reduced?**

The amount of loan forgiveness could be reduced if there was a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.

The forgiveness amount will also be reduced if more than 40% of the loan proceeds were used for nonpayroll costs.

For employees who earned \$100,000 or less in 2019 (or were not employed by the borrower in 2019), the borrower’s loan forgiveness will be reduced for each employee whose average pay (salary or hourly wage) during the 24-week period is less than 75% of their average pay from the full quarter prior to the 24-week period (for most borrowers: January 1 to March 31, 2020). The amount of the reduction in loan forgiveness is based on the amount of the reduction in pay.

Borrowers can avoid having their loan forgiveness amount reduced if they restore an employee’s pay. Specifically, if by no later than December 31, 2020, the employee’s annual salary or hourly wage is equal to or greater than their annual salary or hourly wage on February 15, 2020, the borrower’s loan forgiveness is not reduced.

There are also certain Safe Harbor and other allowable exceptions to consider as part of the application process. Please review the PPP Loan Forgiveness Application Instructions to determine whether these apply to your situation.

Also, if a PPP borrower had an EIDL advance, the forgiveness amount will be reduced by the EIDL advance. (Please see the FAQ related to the treatment of EIDL advances.)

#### **8. Why do I list my EIDL advance amount and loan number? How is does that impact my PPP loan forgiveness?**

If a PPP borrower received an EIDL advance, SBA is required to reduce the borrower's loan forgiveness amount by the amount of the EIDL advance. SBA will deduct the amount of the EIDL advance from the forgiveness amount remitted by SBA to the lender.

Therefore, even if the borrower's loan is fully forgivable through the PPP forgiveness application process, if they had an EIDL advance, they will have a remaining balance on their PPP loan.

Lenders will notify any impacted borrowers after SBA renders their forgiveness decision if there is any EIDL residual balance and the terms of repayment.

#### **9. What sections of the PPP Loan Forgiveness application are required when requesting forgiveness?**

Regardless of the type of application used, each applicant must calculate and complete the answers for eligible payroll expenses (and supply supporting documentation). If using the full 3508 application form, you will need to complete the PPP Schedule A and the Schedule A Worksheet.

If you qualify for full debt forgiveness using only eligible payroll expenses, you do not need to submit any nonpayroll expenses or documentation. However, you can only apply for forgiveness one time, so please verify your eligible payroll expenses will cover the full loan forgiveness request.

#### **10. What counts as payroll costs?**

- 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; and 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.

Payroll costs consist of compensation to your employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits

consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation.

### **11. What payroll documentation will I need to submit with my Loan Forgiveness request?**

The SBA has shared the following guidance on what Payroll documents will be needed to verify the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period consisting of each of the following:

- Bank account or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
  - Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941/943); and/or
  - 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, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that you included in the forgiveness amount.

### **12. What payroll costs are excluded?**

There are 5 exclusions related to payroll costs:

- Cash compensation in excess of \$100,000 per employee or partner on an annual basis (i.e., any amounts paid to an employee or partner during the eight-week period that are in excess of \$15,385 for Eight-Week Covered Period or Eight-Week Alternative Payroll Covered Period, or \$46,155 for 24-week Covered Period or 24-Week Alternative Payroll Covered Period);
- Employer's portion of any federal income tax, FICA, non-US employee payroll costs (and other taxes imposed under Sections 21, 22 or 24 of the Internal Revenue Code);
- Qualified medical/sick leave under Section 7001 of the Families First Coronavirus Response Act;
- Compensation to an employee whose principal place of residence is outside the USA;
- Payments to independent contractors or other 1099s.

### **13. What FTE documentation will I need to submit with my Loan Forgiveness application?**

Documents may include payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941/943) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported. Documents submitted may cover periods longer than the specific time period.

**14. What costs qualify as utility expenses within nonpayroll costs?**

The SBA states the below categories are eligible if service began before February 15, 2020:

- phone
- internet
- gas
- water
- electricity
- transportation

**15. Do business mortgage interest payments have to be for mortgages deeded/titled to the Borrower?**

Yes. Mortgage interest must be an expense incurred by the PPP borrower to be an eligible expense. The rent/lease payment from an operating entity to the landowner would be eligible nonpayroll expense, but not the mortgage interest.

**16. Do mortgage principal and pre-payments qualify for forgiveness?**

No. However, mortgage interest payments do qualify as a nonpayroll cost.

**17. Can I pay my independent contractors with funds from my PPP loan and still be forgiven?**

No, you cannot pay independent contractors with SBA PPP funds and still be forgiven as they don't qualify as forgivable payroll or nonpayroll costs. However, independent contractors have until the PPP application deadline to apply for their own PPP Loans.

**18. Can I request forgiveness if I didn't use all of my loan funds within the 8-week or 24-week Covered Period (or Alternative Covered Period)?**

Based on the latest SBA guidance, you may be eligible for partial forgiveness. However, since you can only request forgiveness once, it would be beneficial to use all of your funds before requesting forgiveness.

**19. When will I know if my forgiveness request was approved and for how much?**

Your lender has 60 days after your completed forgiveness application has been submitted to review and submit your forgiveness application to the SBA. The SBA has stated that it will then review and inform the lender of its final decision on your forgiveness application within 90 days after submission to the SBA. After the SBA has either remitted to the lender the amount of the forgiven portion of your

loan (which may be all or a portion of your PPP loan) or informed the lender that it has denied the application for forgiveness, the lender will notify you of the SBA's decision.

**20. What if my entire loan is not forgiven?**

You may be forgiven for all, some or none of your PPP loan. You must repay the principal and interest amount of the unforgiven portion of your loan under the existing terms of your PPP Note and Loan Agreement.

**21. What is the maturity date of a PPP loan?**

If the loan was funded prior to June 5<sup>th</sup>, 2020 there is a minimum maturity period of 2 years. Any loans funded after June 5<sup>th</sup>, 2020 have a minimum maturity of 5 years.

**22. Can I pay my loan earlier than the 2 to 5 year maturity date?**

Yes. There are no prepayment penalties or fees.

**23. Who pays the interest on my loan during the selected Covered Period and while my forgiveness application is being reviewed?**

The SBA will reimburse the bank for the interest expense during this period (the deferral period) on the forgiven portion of your PPP loan. You will be required to pay interest on any unforgiven portion of your PPP loan, with principal and interest payments starting from the date the SBA remits payment of the forgiven portion of your PPP loan to the Bank. If you do not apply for forgiveness within 10 months after the end of your selected Covered Period, you will be required to start making principal and interest payments on the entire amount of your PPP loan.

**24. What if I do not submit an application for forgiveness?**

It is to your advantage to apply for forgiveness, but you are not required to apply. If you do not submit an application for forgiveness within 10 months of your funding date, the deferment period will end at that time. Your loan documentation will outline the amounts of your monthly payments necessary to fully repay the loan over the remaining term of your loan.

**25. Are there caps on the amount of loan forgiveness available for owner-employees and self-employed individuals' own payroll compensation? What if I am an owner of multiple businesses with multiple PPP loans?**

Yes. As of June 26, 2020, in an [Interim Final Rule \(IFR\)](#), the SBA stated: For borrowers that received a PPP loan before June 5, 2020 and elect to use an eight-week covered period, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at eight weeks' worth (8/52) of 2019 compensation (*i.e.*, approximately 15.38 percent of 2019 compensation) or \$15,385 per individual, whichever is less, in **total across all businesses**.

For all other borrowers, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at 2.5 months' worth (2.5/12) of 2019 compensation (*i.e.*, approximately 20.83 percent of 2019 compensation) or \$20,833 per individual, whichever is less, **in total across all businesses**.

## **26. What are the FTE Reduction Exceptions?**

It exempts you from the Loan Forgiveness reduction based on FTE employee levels if you document:

- Any positions for which you made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and you were unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020;
- Any positions for which you made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period or the Alternative Covered Period and the employee rejected the offer, and
- Any employees who during the Covered Period or the Alternative Payroll Covered Period
  - Were fired for cause
  - Voluntarily resigned,
  - Voluntarily requested and received a reduction of their hours. In all of these cases, include these FTEs on this line only if the position was not filled by a new employee.

## **27. How will I know if the FTE Reduction Safe Harbor rules apply to me? What if I am unable to rehire or replace employees?**

The PPP Flexibility Act gives leniency to businesses that make reasonable efforts to replace or rehire staff but are unable to do so. The employer must demonstrate a “good faith” written offer to rehire at the same salary/wage, with a written denial of the offer from the employee.

They apply if you meet either Safe Harbor 1 or 2:

### FTE Reduction Safe Harbor 1:

In good faith, you are able to document that you were unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

## FTE Reduction Safe Harbor 2:

- You reduced your FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; AND
- You then restored your FTE employee levels by not later than December 31, 2020 to your FTE employee levels in the pay period that included February 15, 2020.

## **28. What reference period do I use to compare my FTE during the Covered Period?**

The selected time period must be the same time period selected for purposes of completing PPP Schedule A, line 11.

- The average number of FTE employees on payroll per week you employed between February 15, 2019 and June 30, 2019;
- The average number of FTE employees on payroll per week you employed between January 1, 2020 and February 29, 2020; or
- In the case of a seasonal employer, the average number of FTE employees on payroll per week you employed between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive 12-week period between May 1, 2019 and September 15, 2019.

## **29. What are the rules about paid vs. incurred payroll costs?**

You are generally eligible for payroll costs paid and payroll costs incurred during the Covered Period or Alternative Payroll Covered Period. Payroll costs are considered:

- Paid on the day that paychecks are distributed or you originate an ACH credit transaction or
- Incurred on the day that your employees' pay is earned

## **30. Can a borrower submit a forgiveness application before their coverage period has passed?**

Yes. A borrower can submit their application for forgiveness ***once they have utilized the funds for the designated purposes***. For example, if the borrower has used all their funds (for the purposes that are eligible for forgiveness) within week 12 or 15 out of their 24 week coverage period, they can submit their forgiveness application before the coverage period ends. In order to gain forgiveness, the borrower must not reduce head count or wages within the coverage period, and is required to certify this when applying.

## **31. What will be the impact of the pending legislation (which could potentially auto-forgive loans <\$150,000, open PPP back up for additional eligible expenses and/or a second application, etc.)?**

Until the legislation is passed into law, we will not have any definite answers. If passed, we will assess the changes and follow the subsequent SBA guidance, and determine the impact to our borrowers' existing PPP loans and the overall forgiveness process.

### **32. Where can I find more information?**

For complete and detailed information on the application, covered periods, the type of costs that are eligible for forgiveness and what documentation you will need to submit in connection with your application, please visit the [U.S. Treasury](#) and [SBA](#) websites.

You can also find the official SBA [“PPP Frequently Asked Questions” here](#). The SBA makes regular updates to their guidance and the referenced FAQ. We are providing a basic version of the FAQ for ease of use on behalf of the borrower. If there is any discrepancy between information found on this FAQ and the SBA FAQ, the SBA document should be taken as the source of truth.

**To view the full FAQ sheet provided by the Small Business Administration (SBA), in consultation with the Department of the Treasury, click [here](#).**

**More information can be found on the U.S. Chamber of Commerce [Coronavirus Resources site](#) with a [Small Business Guide and Checklist](#).**