

August 28, 2020

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## LET'S TALK ABOUT FORGIVENESS

### PPP LOAN FORGIVENESS

As Businesses across the nation continue to feel the devastating effects of the Covid-19 pandemic, many business owners have taken advantage of the Paycheck Protection Program to keep their business operations afloat. On July 4<sup>th</sup>, an extension of the PPP Program was granted thru August 8<sup>th</sup>, giving owners who had yet to apply for a PPP Loan a chance to do so. According to the SBA, as of July 31<sup>st</sup>, more than \$525 Billion dollars of funds have been approved to numerous businesses that needed the assistance; leaving approximately \$120 Billion left untouched. Now that the August 8<sup>th</sup> Extension deadline has passed, the next critical step on everyone's mind is how to successfully obtain full forgiveness of their PPP Loan. The SBA & Department of the Treasury have worked tirelessly around the clock to provide guidance aimed at helping borrowers achieve their maximum loan forgiveness.



### When to Apply

By now, borrowers should have received some type of communication from their lenders as to when they are able to begin their application process. Most financial institutions, if not all, have already begun accepting applications. Per SBA guidelines, "A borrower may apply for loan forgiveness with their individual lenders any time on or before the maturity date of the loan, including before the end of the 8-week or 24-

week covered period, if the borrower has used all of the loan proceeds for which they are requesting forgiveness. If a borrower does not apply for loan forgiveness within 10 months after the last day of the covered period, the loan is no longer deferred, and the borrower must begin paying principal and interest. Also, if a borrower applies for forgiveness before the end of the covered period and has reduced any employee's salaries or wages in excess of 25%, the borrower must account for excess salary reduction for the full 8-week or 24-week covered period."

## The Application Process

All borrowers must complete and submit a loan forgiveness application and/or any lender equivalent forms with their individual lenders to begin the forgiveness process of their loan. Applications can also be electronically submitted through their lenders. Borrowers should check with their current financial institution as to whether they should use the original Form 3508 application or if they qualify to use the Form 3508EZ version.

The SBA announced a new EZ version of the application that applies to borrowers who can check one of the three boxes on the 3508EZ form checklist. Borrowers can refer to the below SBA website links to access both forms and to review the EZ form checklist to see if they qualify.



<https://www.sba.gov/sites/default/files/2020-06/PPP%20Loan%20Forgiveness%20Application%20Form%20EZ%20Instructions%20%28Revised%2006.16.2020%29-508.pdf>

<https://www.sba.gov/sites/default/files/2020-06/PPP%20Forgiveness%20Application%203508EZ%20%28%20Revised%2006.16.2020%29.pdf>

[https://www.sba.gov/sites/default/files/2020-06/PPP%20Loan%20Forgiveness%20Application%20%28Revised%2006.16.2020%29-fillable\\_0-508.pdf](https://www.sba.gov/sites/default/files/2020-06/PPP%20Loan%20Forgiveness%20Application%20%28Revised%2006.16.2020%29-fillable_0-508.pdf)

Once the application and all required documentation is submitted to the lender, the lender has 60 days to review the submission and contact the borrower if any additional information is needed. Once the lender gives their approval, they will submit the application and supporting documentation to the SBA. The SBA will have 90 days to perform their review. The SBA will either approve the loan forgiveness, ask for more information, or approve a portion of the loan forgiveness.

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## What Information is needed?

In completing the application, borrowers are advised to have gathered all the required documentation needed to calculate their loan forgiveness amount.

It is important for the borrower to ensure they maintain and submit the essential information needed with their loan forgiveness application for approval. Per SBA requirements, the following documentation is required:

- Payroll Documentation - verifying the eligible cash compensation and non-cash benefit payments from the 8-week or 24-week covered period
- Bank account statements or third-party payroll reports, tax forms such as 941 quarterly reports, state quarterly business and individual employee wage reports & unemployment insurance tax filings
- Payment receipts, cancelled checks, account statements reporting employer contributions to employee health insurance and retirement plans that the borrower may have included in the forgiveness amount

**FTE Documentation showing:**

- the average number of FTE employees on payroll per week employed by borrower between February 15, 2019 and June 30, 2019
- the average number of FTE employees on payroll per week employed by the Borrower 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 employed by the borrower 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.

**Nonpayroll documentation**

- Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the covered period; or lender account statements from February 2020 and the months of the covered period through one month after the end of the covered period verifying interest amounts and eligible payments
- Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the covered period; or lessor account statements from February 2020 and from the covered period through one month after the end of the covered period verifying eligible payments.
- Business utility payments: Copy of invoices from February 2020 and those paid during the covered period and receipts, cancelled checks, or account statements verifying those eligible payments.

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For borrowers who are eligible to submit the Form 3508EZ application, the same payroll and non-payroll documentation is required with the application. Borrowers that only checked the second box on the checklist must show documentation proving the average number of full-time equivalent employees on payroll employed by the borrower on January 1, 2020 and at the end of the covered period.

This information and additional details can also be found on the Application instructions page. Refer to the link posted above.

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## How we can help

We as a firm are dedicated to all our clients and future clientele that may need our assistance during these challenging times. Please do not hesitate to contact our office if you are needing assistance with the PPP Loan Forgiveness Process. Griffing & Company P.C. is prepared to help serve you!



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**GRIFFING & COMPANY, P.C.**  
One Sugar Creek Center Blvd., Suite 650  
Sugar Land, TX 77478  
(281) 491-8866 Fax (281) 491-8998

[info@griffing.com](mailto:info@griffing.com)  
[www.griffing.com](http://www.griffing.com)

