



Paycheck Protection Program (PPP)

Forgiveness Q&A



U.S. Small Business
Administration



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Is my PPP loan forgivable?

Up to 100% of the loan amount is forgivable *if* the borrower uses the proceeds to pay for qualifying expenses

What are qualifying expenses?

- *Payroll (as defined [HERE](#))
- Interest payments on business mortgage obligations incurred before 02/15/2020
- Payments on business rent obligations on real or personal property under a lease agreement in force before 02/15/2020
- Business utility payments for electricity, gas, water, transportation, telephone, or internet access for which service began before 02/15/2020

*at least 60% or more of the total PPP loan amount must be used for payroll to be considered for full forgiveness. Conversely, no more than 40% of the total PPP loan amount may be used for non-payroll expenses to be considered for full forgiveness.

When must non-payroll costs be incurred and/or paid to be eligible for forgiveness?

- A non-payroll cost is eligible for forgiveness if it was:
 - i. Paid during the covered period, or
 - ii. *Incurred* during the covered period, and
 - iii. Paid on or before the next regular billing date, even if the billing date is after the covered period ends

What is the general process to obtain forgiveness?

- The process for submitting to the bank will be very similar to your application
- A borrower must complete and submit the loan forgiveness application (SBA Form [3508](#) or [3508EZ](#)) to their lender. The SBA allows us 60 days to review the application. We anticipate this process being much quicker than your initial PPP application
- When we determine the borrower is entitled to forgiveness the SBA will remit the appropriate forgiveness amount to the lender, within 90 days after the lender issues its decision to SBA. If applicable, SBA will deduct EIDL advance amounts from the forgiveness amount.

If I received an EIDL grant, will my forgiveness be reduced?

- Yes. The amount of the EIDL grant will be deducted from your PPP forgiveness amount.

What documentation is needed?

- SBA Forgiveness application Form [3508](#) or [3508EZ](#)
- Please note there is currently no portal for SBA to accept these applications. We are advising clients to refrain from submitting forgiveness applications as the application may change and the most current application will be required.
- We believe that there will be more changes coming that will simplify the forgiveness process. This includes proposed legislation that would streamline forgiveness for loans under \$150,000.

How do I qualify for the SBA Form 3508EZ?

SBA Form 3508EZ may be used if *any* of the following apply:

- Borrower is a self-employed individual, independent contractor or sole proprietor who did not include any employee salaries in the Borrower Application Form, or
- Borrower did not reduce the salaries or wages of its employees by more than 25% during the covered period as compared to Q1, and did not reduce FTEs between January 1, 2020, and the end of the covered period (ignoring reductions for employers who are unable to rehire employees or hire similarly qualified employees for unfilled positions and reductions in hours that the borrower offered to restore and the employee refused), or
- The borrower did not reduce the salaries or wages of its employees by more than 25 percent during the covered period as compared to Q1, and was unable to operate at the same level of business activity as before February 15, 2020, as a result of complying with federal, state and local directives related to COVID-19.

Is there a worksheet or calculator available?

- At this time, there is no worksheet or calculator provided by the SBA. There is however pending legislation calling for the SBA to provide such a tool.

How long do I have to submit my forgiveness application?

- 10 months after your selected covered period (8 or 24 weeks) ends.

Do I have to wait the full 24 weeks if I select that as my covered period?

- No. You can apply for forgiveness at any time after your PPP funds have been fully spent.
- Again, we are urging clients to refrain from applying for forgiveness until pending legislation is complete. This may greatly simplify the forgiveness process for most of our clients.

When does the covered period begin for determining my payroll costs?

- The timeframe begins the date funds were disbursed to you from the bank and ends once you have used all your PPP funds.
- You may choose a covered period of no less than 8 weeks or no more than 24 weeks. Your choice however does not need to be exactly 8 weeks, or 24 weeks.

Under what conditions would my PPP loan not be fully forgiven by the SBA?

- If the borrower does not use the proceeds for qualifying expenses under the program including the requirement that 60% of the proceeds be used for payroll costs
- If a borrower reduces their full-time employee headcount and is not eligible for safe-harbor protections
- If a borrower decreases salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019
- For more information on safe-harbor protections, please contact your Honor Bank Commercial Lender

Recommendations & Insights

- Guidance is continually changing. There could be additional, simpler forgiveness options in the future
- We recommend taking a patient approach to completing your forgiveness application if you calculate that you have not achieved full forgiveness and need to complete the standard Form 3508
- Document, document, document! The more information you're able to provide, the easier and faster your forgiveness application will be processed
- SBA will make the ultimate determination of your forgiveness



Thank you for trusting Honor Bank with your PPP Loan!

**If you have any other questions, please reach out to your
Honor Bank Commercial Lender**