

PPP Forgiveness FBT FAQ

Do I need to have a separate account for storing my PPP funds?

The SBA does not require a separate account.

Who can request Loan Forgiveness from FBT for a SBA PPP loan?

Businesses that received a PPP loan need to request Forgiveness through the bank that processed their loan. If you received a PPP loan through us, you'll work with us to submit your Forgiveness request as well. We will keep you informed as we get additional SBA guidance and notify you when it's time to submit.

Is loan forgiveness automatic?

No. You must request Forgiveness.

How should I use my loan proceeds to be eligible for Forgiveness?

Under current SBA guidance:

- You must use at least 60% of funds for eligible payroll costs to qualify for full loan forgiveness, down from 75%
- You can use up to 40% of funds for eligible non-payroll costs, up from 25%

What is the Covered Period?

The Covered Period is either:

- The 24-week (168-day) period beginning on the PPP Loan Disbursement Date, or
- The 8-week (56-day) period beginning on the PPP Loan Disbursement Date if you received your PPP loan before June 5, 2020 and elect to use an eight-week (56-day) Covered Period.

For 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.

The Covered Period cannot extend beyond December 31, 2020.

What is the Alternative Payroll Covered Period?

It's an additional choice for companies that have a biweekly (or more frequent) payroll schedule. You can always choose the Covered Period.

For loans funded before June 5, 2020:

- You may elect to calculate eligible payroll costs using either:
 - the 24-week (168-day) period that begins on the first day of your first pay period following their PPP Loan Disbursement Date
 - the eight-week (56-day) period) that begins on the first day of your first pay period following their PPP Loan Disbursement Date.

For loans funded on June 5, 2020 or later:

You may elect to calculate eligible payroll costs using the 24-week (168-day) period that begins on the first day of your first pay period following their PPP Loan Disbursement Date.

For example, if you are using a 24-week Alternative Payroll Covered Period and 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, 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. The Alternative Payroll Covered Period cannot extend beyond December 31, 2020.

When does the 8-week or 24-week Covered Period begin for spending that may be eligible for Loan Forgiveness?

It begins on the date your loan was originated.

If using the Alternative Payroll Covered Period, it starts the first day of your first pay period following your loan disbursement date.

When do I need to use the loan proceeds to be eligible for Loan Forgiveness?

You need to use the funds within the Covered Period or the Alternative Payroll Covered Period.

If I spent my loan funds in the 8-week or 24-week Covered Period or Alternative Payroll Covered Period, could I receive Forgiveness on both the loan amount and the interest?

Yes, for the portion that meets all the SBA rules and if the SBA approves your request for Forgiveness.

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 Payroll Covered Period?

Based on the latest SBA announcements, 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.

What payroll costs qualify for Forgiveness?

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.

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

What payroll documentation will I need to submit to FBT 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); and

- 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.

What reference period do I use to compare my FTE level 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.

What FTE documentation will I need to submit to FBT with my Loan Forgiveness request?

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. Documents submitted may cover periods longer than the specific time period.

What non-payroll documentation will I need to submit to FBT with my Loan Forgiveness request to verify existence of the obligations/services prior to February 15, 2020?

- **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.

Do mortgage principal and pre-payments qualify for Forgiveness?

No. However, mortgage interest payments do qualify as a non-payroll cost.

Will my Loan Forgiveness amount be reduced if I have a reduction in full-time equivalent (FTE) employees?

It may be reduced if your average weekly FTE employees during the Covered Period or Alternative Payroll Covered Period was less than during your chosen reference period and doesn't meet Full-time Equivalency (FTE) Reduction Safe Harbor rules.

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 these cases, include these FTEs on this line only if the position was not filled by a new employee.

How will I know if the FTE Reduction Safe Harbor rules apply to me?

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.

If I hired additional employees and kept my original ones, would the new employees count for expense toward Forgiveness?

If you added to your FTE employment levels and maintained similar salary and wage levels, it should not affect your ability to request Forgiveness

What sections of the SBA Paycheck Protection Program Loan Forgiveness Application Form 3508 are required when requesting Forgiveness through FBT?

You must submit answers from the PPP Loan Forgiveness Calculation Form and PPP Schedule A. The Schedule A Worksheet will help you complete the PPP Schedule A.

What information does FBT require from Form 3508EZ?

You must submit eligible payroll and non-payroll costs on the SBA Form 3508EZ. You may choose to submit the PPP Borrower Demographic Information Form.

How do I decide whether to use Form 3508 or Form 3508EZ?

You may be able to use Form 3508EZ if you:

- 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%.

Otherwise, you may have to use Form 3508.

When will I know if my Loan Forgiveness request was approved?

It could take up to five months for us and the SBA to review most complete applications, actual times will vary. You won't have to start making payments until the SBA provides a decision on your request or remits the funds.

What if my entire loan is not forgiven?

You may be forgiven for all, some or none of your loan. You must repay the principal and interest amount of the unforgiven portion of your loan.

Can I repay my loan at any time?

Yes. There is no prepayment penalty.

What is the maturity of PPP loans?

For loans made before June 5, the maturity is two years. For loans funded on or after June 5, the maturity is five years.

Do business mortgage Interest payments have to be for mortgages deeded/titled to the Borrower?

Yes – if the borrow does not own the property, they need to submit a rent or lease agreement

What costs qualify as utility expenses within non-payroll costs?

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

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

If I received an EIDL advance from the SBA does it need to be paid off with PPP funds?

An EIDL grant – in amounts up to \$10,000 -- is not refinanced by a PPP Loan. It will cause the SBA to reduce the amount of the PPP Loan eligible for Forgiveness.

Is the share of FICA paid by the employer an eligible payroll cost?

No.

If I reduce my FTE after forgiveness is approved, can the SBA still request payments on my loan?

The SBA, in its discretion, may undertake a review at any time including after Forgiveness has been approved. A borrower must retain PPP documentation for six years after the date the loan is forgiven or repaid in full.

If I elect to use the 24-week Covered Period instead of the 8-week Covered Period, do I need to amend the note to the loan?

No.

Can I still qualify for full Forgiveness if my use of funds is different from my original PPP application?

Yes, so long as at least 60% of the funds requested for Forgiveness are used for eligible payroll costs and no more than up to 40% of funds requested for Forgiveness are used for eligible non-payroll costs.

