



Everything you Need to Know to Get your PPP Loan Forgiven

A central pillar of the Coronavirus Aid, Relief, and Economic Security Act, or “CARES Act” is the providing of small business forgivable loans to cover payroll. These Paycheck Protection Program (“PPP”) loans allow companies with 500 employees or less to borrow up to 2.5 times their average monthly payroll. The loan is 100% forgivable if the business spends the money on payroll and a few other expenses. This document will provide you information and tips to help title companies get their PPP loans forgiven.

The Basics

Question: *What are the requirements for getting your PPP loan forgiven?*

Answer: To get your PPP loan forgiven, there are a few broad rules:

- The PPP loan can be used for both payroll and non-payroll expenses.
- Non-payroll expenses cannot account for more than 40% of your loan.
- Expenses must be paid within 24 weeks of receiving the loan.

Question: *What payroll expenses are eligible for forgiveness?*

Answer: Payroll expenses that are eligible for forgiveness include:

- Salaries and other wages (capped at \$100,000 per employee);
- Employee benefits (such as vacation time and sick leave);
- Provisions for healthcare or retirement benefits; and
- Bonuses or commissions can also be included, such as hazard pay, but the reason for an increase in pay must be documented in your application for forgiveness.

However, there are several exceptions that cannot qualify for forgiveness:

- Employees whose primary place of residence is outside the United States;
- Salaries of individual employees that are higher than \$100,000;
- Federal employment and income taxes meant to be withheld from the employees’ pay; and
- Leave that qualifies under the Families First Coronavirus Response Act.

Question: *What are non-payroll expenses that can be forgiven?*

Answer: Non-payroll expenses that the PPP will forgive are interest on a mortgage (incurred before February 15, 2020), rent (if the lease term began before February 15), and utilities whose service started before February 15. Lease payments for non-real property can also be forgiven, such as leases or rentals on office equipment or vehicles.

Question: *What utilities can be forgiven?*

Answer: The utilities paid that can be forgiven are broader than water and power; they can include electricity, gas, water, transportation, phone, and internet, as long as service for them started before February 15.

Question: *I'm self-employed. Is my business still eligible for a PPP loan and forgiveness on it?*

Answer: Yes, but you should make sure your business meets the criteria for salary caps and how the money is spent to be eligible.

Question: *My 2019 Schedule C was used to determine my loan amount. Am I able to include my 2020 Schedule C allocations as part of my 60% payroll expenses?*

Answer: If your 2019 Schedule C was used as the reference for payroll from the time period you chose, your 2020 Schedule C can be used as proof of your payroll for this year.

Question: *If my business wants to change from the 8-week timeline to a 24-week timeline for our loan, what do we need to do?*

Answer: To change the covered period on your loan, you should have a conversation with your lender out of an abundance of caution. Advise them that you are wanting to change your timeline after looking at the PPP Flexibility Act and see what they need from you to make this happen.

Question: *For employees who make more than \$100,000 a year, are their wages forgivable up to the \$100,000, or are they not covered at all?*

Answer: Their wages will be forgivable up until they hit the \$100,000 cap. Additionally, retirement contributions are not included in this threshold.

Question: *My company only pays a portion of our employees' health insurance that we provide. Is that portion that we pay the only part that is forgivable?*

Answer: Yes, only the amount your company pays will be covered in the amount of loan forgiveness.

Question: *Are the expenses covered if they are paid during the covered period of the loan, or when they are incurred?*

Answer: The application says to calculate them when expenses are "incurred or paid," so there is some flexibility regarding what is covered.

Applying for Loan Forgiveness

Question: *Is there an application for loan forgiveness?*

Answer: Yes. You can the SBA's application here: <https://www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application>.

Question: *When is the earliest I can apply for loan forgiveness?*

Answer: You can apply for loan forgiveness as early as 24 weeks after receiving the loan.

Question: *Once I apply for forgiveness how long does the bank have to respond to my application?*

Answer: The lender you used has 60 days to issue a decision to the SBA, and then the SBA has 90 days to remit forgiveness.



Question: *What do I need to qualify for loan forgiveness under the PPP?*

Answer: In order to apply for forgiveness, you will need to have the following ready for the application:

- Your SBA PPP Loan Number (provided by the SBA when your loan is approved);
- Your Lender PPP Loan Number;
- The amount you received for your PPP loan;
- The number of employees at your business at the time you applied for the loan;
- The number of employees at your business at the time you applied for loan forgiveness;
- The date your PPP loan was disbursed;
- Information regarding your payroll schedule and whether your business used the traditional covered period or alternate payroll covered period; and
- Records regarding how much of your loan you spent on payroll expenses and non-payroll expenses.

Question: *Do we have to make payments on the loan during the forgiveness decision period?*

Answer: If you submit a loan forgiveness application to your lender within 10 months after the end of the loan forgiveness covered period, you won't need to make any payments on the loan until the SBA makes a decision about your forgiveness amount. The "loan forgiveness covered period" is the 24-week period after your loan is disbursed.

Documentation to Accompany your Application

Question: *What documents do I need to provide in addition to completing the application?*

Answer: In order to apply, you will need to provide the following documentation:

- The PPP Loan Forgiveness Calculation Form;
- The PPP Schedule A form;
- Payroll information (discussed below);
- Full-time equivalency (FTE) employee information that is the same as the time period specified in the PPP Schedule A on line 11; and
- Documentation about non-payroll expenses (discussed below).

Question: *What does the term "FTE employee" mean?*

Answer: A full-time equivalent, or FTE, employee is one who works 40 hours or more per week on average, and they are labeled as an FTE employee of 1.0. If there are employees that work less than 40 hours per week on average, they must be calculated as a proportion of an FTE employee. The borrower can calculate this proportion in one of two ways:

- First: The borrower can calculate the average number of hours the employee worked per week and determine what that is as a proportion of a 40 hour per week employee. For example, an employee who works an average of 30 hours per week is an FTE employee of 0.75, and an employee who works 10 hours per week is an FTE employee of 0.25.
- Second: The borrower may, out of convenience, consider all part-time employees as FTE employees of 0.5. This option is more convenient for employers who do not maintain data for hours worked.

Whichever method you choose, you must be consistent throughout the forgiveness application.

Question: *What does the term “covered period” mean?*

Answer: The “covered period” of the loan begins on the date the loan originated and ends on the earlier of two dates, the date 24 weeks after the loan originated or December 31.

Question: *What is the “alternative payroll covered period”?*

Answer: This is an alternative to the “covered period” as defined above, ideally used for borrowers who pay employees biweekly (or more frequently) when calculating payroll costs. The start date may be considered as the first day of the payroll cycle in the covered period, which may occur after the loan has been disbursed, and it ends 24 weeks after the alternative period begins. However, in the application for loan forgiveness, when the application refers to “the Covered Period,” you should still refer to the “covered period” as defined above.

Question: *What time period do I use for a comparison for my FTE employees on the Schedule A, line 11?*

Answer: When calculating your FTE employees during a reference period, you have 3 options for what time is your reference period:

- February 15, 2019 to June 30, 2019;
- January 1, 2020 to February 29, 2020; or
- For seasonal employers, either of the above options or a consecutive 12-week period between May 1, 2019 and September 15, 2019.

You should use the same FTE calculation (described above) when evaluating FTE employees during these reference periods that you use when calculating FTE employees that you currently employ.

Question: *How do I document how much of my PPP loan I spent on payroll?*

Answer: Payroll expenses should be documented and included in your application by including the following:

- Bank account statements outlining the compensation paid to employees during the covered period you specified;
- Tax forms for the covered period, including:
 - Payroll tax filings that have been or will be reported to the IRS; and
 - State quarterly business and individual employee wage reporting and unemployment insurance tax filings that have been or will be reported to your state; and
 - Payment receipts, cancelled checks, or account statements that document employer contributions to employee health insurance and retirement plans you want forgiven.

Question: *How do I document how much of my PPP loan I spent on non-payroll expenses?*

Answer: Non-payroll expenses should be documented with the following information:

- Documents verifying payments made toward forgivable mortgage interest during the covered period;
- Documents verifying payments made for business rents or leases during the covered period; and
- Invoices verifying business utility payments made during the covered period.



Reductions in Loan Forgiveness

Question: *What factors will reduce how much of our PPP loan is forgiven?*

Answer: There are two factors that can reduce the eligible amount of loan forgiveness. First, if your company's full-time equivalent employee headcount at the end of the chosen period on line 11 of your PPP Schedule A after receiving funds is less than your headcount on February 15, the amount your loan is forgiven can be reduced. Second, reducing wages by more than 25% for employees earning less than \$100,000 per year can lower your forgiveness amount.

Question: *If my business furloughed workers, but then received a PPP loan and rehired those workers, will the amount forgiven still be reduced?*

Answer: No. Rehiring workers will allow your business to be eligible for forgiveness if they are rehired by December 31.

Question: *If a furloughed worker is offered the ability to return to work and does not accept the offer, will our loan forgiveness amount be reduced?*

Answer: If you have written documentation that the worker was offered the ability to return to work and that they declined, your loan will still be eligible for forgiveness. To ensure that your business has the best chance to receive total loan forgiveness for these loans, make sure you have written documentation of everything in case it is required.

Question: *Do I have to have to rehire the exact same worker to be eligible for forgiveness?*

Answer: No. The application requires comparing your FTE headcount on February 15 with the headcount during the period chosen on your PPP Schedule A form on line 11.

Question: *My business tried to rehire workers, but some of our furloughed workers did not return and we couldn't replace them. Are we still eligible for forgiveness?*

Answer: Yes. If you have documentation that any furloughed worker did not accept an offer to be rehired and you can demonstrate that you were unable to hire a similarly qualified employee for the unfilled position on or before December 31, or that your business was unable to return to a level of business activity you achieved before February 15, this requirement will be exempted from your forgiveness application. In order to prove this, ensure every step of the offer to rehire a furloughed worker is documented and that your business made a good faith effort to fill the position, if you were able to do so under CDC and OSHA guidelines.

Question: *My business cut wages before the PPP loans were available. Is it possible to avoid a reduction in what portion of our PPP loan can be forgiven?*

Answer: Yes, if your business reduced wages between February 15 and April 26, but eliminates those reductions before June 30, you will avoid a reduction in the forgiveness amounts.

Question: *What are the repayment terms for any portion of my loan that is not forgiven?*

Answer: If your loan is not entirely forgiven, the remaining balance will continue to be guaranteed by the SBA and will have a maximum maturity of 10 years from the date the loan was borrowed. Additionally, the maximum interest rate on these loans is 4%. However, if the



SBA, upon review of a business's loan, determines the business was not eligible to receive the PPP loan, no forgiveness will be granted and the loan must be paid off on or before the time when it reaches the five-year maturity.

For more information, go to www.alta.org/coronavirus.