Paycheck Protection Program Update: SBA Streamlines Forgiveness Application for PPP Loans Under $50K, Confirms Deferral Period for Loan Repayment

Client Alert

10.12.20

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The Small Business Administration (SBA) has provided additional guidance in connection with the forgiveness of loans issued under the Paycheck Protection Program (PPP).

In an Interim Final Rule, the SBA has provided a streamlined loan forgiveness application for loans under $50,000. This will affect the overwhelming majority of PPP loans, as 68.6% of loans issued nationwide (more than 100,000 in New Jersey alone) were for amounts under $50,000.

The following is an overview of the new loan forgiveness application process:

- The new **PPP Loan Forgiveness Application Form 3508S** can be utilized by borrowers with a total loan amount of $50,000 or less, provided the borrower together with all of its affiliates did not receive loans exceeding $2 million.
- Eligible borrowers will not suffer any reductions in loan forgiveness based on reductions in employees or wages.
- Form 3508S requires the borrower to report the amount of the loan and total employees, certify that the loan was used to pay payroll costs, mortgage interest payments, rent or lease payments and utility payments, and that payroll costs were at least 60% of the forgiveness amount.
- The borrower must still provide documentation demonstrating the compensation to employees and payment of non-payroll costs during the 8-week or 24-week covered period.

The SBA also confirmed in an additional FAQ that the deferral period for borrower payment of principal, interest and fees on all PPP loans will be 10 months after the end of the covered period. Previous guidance documents stated that the deferral period would end after 6 months. The SBA clarified that the deferral period is automatically extended to all PPP loans, and that there is no need to modify any promissory notes that provided a

6-month deferral period. Thus, if the loan forgiveness application is submitted to the lender within 10 months after the end of the 8-week or 24-week covered period, the borrower will not have to begin principal and interest payments before the date on which the SBA remits the loan forgiveness amount to the lender (or notifies the lender that no loan forgiveness is allowed).

We will continue to monitor and advise when any new guidance related to the PPP is provided.

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