

# CARES Act Paycheck Protection Program Frequently Asked Questions

We are monitoring proposals in Congress related to a potential extension of the PPP and changes to the forgiveness process. Please check [GrandSavingsBank.com](http://GrandSavingsBank.com) for the latest information on our ongoing support for small businesses.

For clients who received a PPP loan from the SBA through Grand Savings Bank, we look forward to supporting you as you begin the loan forgiveness phase of the program. We are working to deliver the best possible experience for you during this important time. We have emailed you with specific instructions on how to begin the PPP loan forgiveness application. Our online portal is available to you. If you did not receive or cannot locate the email, please contact your loan officer.

For up-to-date rules for the SBA's PPP loan forgiveness process, including your covered period, the type of costs that are eligible for forgiveness and what documentation you will need to submit as part of your application, please visit the [SBA website](#).

These FAQs are provided for your convenience. Please be sure to understand and comply with the guidance issued by the SBA.

[Frequently Asked Questions](#) – Payroll Protection Program  
[Frequently Asked Questions - Forgiveness](#)

## Paycheck Protection Program loan forgiveness

### **What changes has the SBA made to the PPP rules and how do they impact the loan forgiveness process?**

The Paycheck Protection Program Flexibility Act, signed into law on June 5, 2020 contained the following changes:

- You now have a 24-week “Covered Period,” the period in which you must spend the PPP loan proceeds for full loan forgiveness, starting on the date the funds were disbursed. If your PPP loan was funded prior to June 5, 2020, you still have the option to use the original 8-week “Covered Period.”
- Your deferral period, during which payments on your loan will be deferred, will commence on the date on which your PPP loan was funded and end on (i) the date on which the amount of forgiveness as determined under section 1106 of the CARES Act is remitted to the Bank (or the date the SBA notifies us that no forgiveness is allowed) or (ii) the date which is ten (10) months

after the last day of your “Covered Period” (as determined in accordance with Section 1106 of the CARES Act), if you have not applied for forgiveness by such date.

- 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 nonpayroll costs, up from 25%

You can find up-to-date information on the rules of the program on the SBA website and US Treasury websites.

### **When can I apply for PPP loan forgiveness?**

We are continuing to work to deliver the best possible experience for you during this important time. You can begin the process now! We emailed you with specific instructions on how you can begin your application. If you did not receive or cannot locate the email, please contact your loan officer.

As a reminder, based on the latest updates from the SBA, you now have more time to gather your documents and prepare your application.

### **Can I submit a paper application for PPP loan forgiveness?**

Applications for PPP loan forgiveness at Grand Savings Bank must be submitted digitally through our online PPP loan forgiveness application portal. We will not accept paper loan forgiveness applications.

### **Will there be additional changes to the PPP loan forgiveness process?**

You may have seen press reports and other references to proposals in Congress to simplify the forgiveness application process; for instance, for borrowers who received PPP loans of \$150,000 or less. While it is not known if or how those proposals or potential changes might proceed, we understand these reports may influence decisions on when to apply. Please visit the [U.S. Treasury](#) and [SBA](#) websites for the most accurate updates on U.S. government policies about the PPP.

### **How long do I have to apply for loan forgiveness?**

According to [IFR Vol. 85 No. 124](#) borrowers have 10-months after the last day of the covered period to apply for forgiveness, before any payments on the loan would become due. We encourage all PPP loan recipients to read available guidance at both the [U.S. Treasury Small Business Assistance page](#) and [SBA Paycheck Protection Program page](#) to become informed about the process and eligibility requirements.

## **Can I apply for forgiveness prior to the end of my elected “Covered Period”?**

A borrower may submit a loan forgiveness application before the end of the covered period – if the borrower has used all of the loan proceeds for which the borrower is requesting forgiveness. If the borrower applies for forgiveness before the end of the covered period and has reduced any employee’s salaries or wages in excess of 25 percent, the borrower must account for the excess salary reduction for the full 8-week or 24-week covered period, as described in Part III.5. If the borrower does not apply for loan forgiveness within 10 months after the last day of the covered period, or if SBA determines that the loan is not eligible for forgiveness (in whole or in part), the PPP loan is no longer deferred, and the borrower must begin paying principal and interest. If this occurs, the lender must notify the borrower of the date the first payment is due. The lender must report that the loan is no longer deferred to SBA on the next monthly SBA Form 1502 report filed by the lender.

## **Which PPP loan forgiveness application should I use?**

In an effort to make it easier for some businesses to apply for PPP loan forgiveness, the SBA published a new PPP EZ Loan Forgiveness Application Form 3508EZ for borrowers who meet certain requirements. To determine if you are able to use the EZ application, you should review the [Checklist for Using SBA Form 3508EZ](#) on the SBA’s website.

Borrowers who do not meet the requirements for using Form 3508EZ will apply using the updated PPP Loan Forgiveness Application Form 3508. Our online portal is designed to help you determine the appropriate application for your business.

## **How can I prepare to apply for loan forgiveness?**

Once you determine which SBA Loan Forgiveness Application Form you will use, we recommend that prior to applying online through Grand Savings Bank for PPP loan forgiveness, you carefully review and gather the required documentation specified in the instructions:

- [PPP EZ Loan Forgiveness Application Form 3508EZ](#)
- [PPP EZ Loan Forgiveness Application Instructions](#)
- [PPP Loan Forgiveness Application Form 3508](#)
- [PPP Loan Forgiveness Application Instructions](#)

## **Who determines the amount of loan forgiveness?**

The U.S. Treasury and Small Business Administration (SBA) are responsible for the rules of the program, which determine the amount of loan forgiveness you may receive. This can include full, partial or no forgiveness.

We encourage you to visit the [U.S. Treasury](#) and [SBA](#) websites for the most up-to-date program rules and guidance.

## Where should I go if I have questions?

For detailed information on the application, covered periods, the type of costs that are eligible for forgiveness and what documentation you will need to submit in connection with your application, please visit the [U.S. Treasury](#) and [SBA](#) websites.

## How is the amount of owner compensation that is eligible for loan forgiveness determined? What if I am an owner of multiple businesses with multiple PPP loans?

As of August 4, 2020, in [Frequently Asked Questions \(FAQs\) on PPP Loan Forgiveness](#), the SBA stated the amount of compensation of owners who work at their business that is eligible for forgiveness depends on the business type and whether the borrower is using an eight-week or 24-week Covered Period. In addition to the specific caps described below, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at \$20,833 per individual **in total across all businesses in which he or she has an ownership stake**. For borrowers that received a PPP loan before June 5, 2020 and elect to use an eight-week Covered Period, this cap is \$15,385. **If their total compensation across businesses that receive a PPP loan exceeds the cap, owners can choose how to allocate the capped amount across different businesses.**

## Is interest on unsecured credit eligible for loan forgiveness?

As of August 4, 2020, in [Frequently Asked Questions \(FAQs\) on PPP Loan Forgiveness](#), the SBA stated, no. Payments of interest on business mortgages on real or personal property (such as an auto loan) are eligible for loan forgiveness. Interest on unsecured credit is not eligible for loan forgiveness because the loan is not secured by real or personal property. Although interest on unsecured credit incurred before February 15, 2020 is a permissible use of PPP loan proceeds, this expense is not eligible for forgiveness.

## What utility payments are eligible for forgiveness?

Business payments for a service for the distribution of electricity, gas, water, transportation, telephone or internet access for which service began before February 15, 2020.

## **Are rent payments made to related parties eligible for forgiveness?**

As of August 24, 2020, in an Interim Final Rule on Treatment of Owners and Forgiveness of Certain Nonpayroll Costs, the SBA has stated rent payments to related parties are eligible for forgiveness so long as 1) “the amount of loan forgiveness requested for rent or lease payments to a related party is no more than the amount of mortgage interest owed on the property during the Covered Period that is attributable to the space being rented by the business” and 2) “the lease and mortgage were entered into prior to February 15, 2020.” Borrowers must provide mortgage interest documentation to substantiate these payments. And where the payor requests forgiveness for amounts paid to a related party, the related party cannot also request forgiveness for that same amount. Additionally, “[w]hile rent or lease payments to a related party may be eligible for forgiveness, mortgage interest payments to a related party are not eligible for forgiveness.”