



# PPP LOAN FORGIVENESS PROGRAM

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## FREQUENTLY ASKED QUESTIONS\*

*\*This is not final as you will see below that the SBA still has to provide significantly more guidance on this topic.*

**Q: What are the consequences if a Client spends less than seventy-five (75) percent of the PPP loan on payroll expenses?**

A: Borrowers are expected to receive PPP Loan Forgiveness on a pro-rata (see details outlined in the SBA "SBA- CARES-Act-PPP-IFRN-FINAL") amount of their payroll costs. We believe if entire loan isn't forgiven than you can either repay the balance remaining on their PPP Loan in full or continue to make payments according to the terms of the promissory note you signed prior to disbursing the funds.

**Q: How does SBA define "FTE" (full-time equivalent) employees?**

A: A full-time equivalent employee is defined as an employee that works forty (40) hours per week.

**Q: Are "payments" made in the eight (8) week period limited to cash payments of payroll and eligible expenses or are accrued eligible expenses during that period acceptable for forgiveness?**

A: We can't answer definitively because requires additional guidance from the SBA to determine. The CARES Act states that expenses need to be incurred and paid during the eight (8) week period.

**Q: What form of proof or documentation will be required from borrowers for qualified loan forgiveness items?**

A: We can't answer definitively because requires additional guidance from the SBA to determine. However, based on our long experience with the SBA, we recommend that at a minimum, you save any and all receipts, paid invoices, canceled checks, and other proof showing use of loan proceeds. For this reason, we recommended that you keep all PPP loan proceeds separate from your normal checking/savings accounts.

**Q: Will Oxford Bank be approving Loan Forgiveness or will be the SBA?**

A: SBA has not issued final guidance on this yet so we can't answer definitively but it is likely that Oxford Bank will have very limited discretion on that decision. Our speculation is the SBA will provide guidelines (hopefully soon) which Oxford Bank will have to follow to submit for loan forgiveness on your behalf. The Department of Treasury and SBA has announced that any PPP loan over \$2 million will be audited by the aforementioned government agencies prior to granting forgiveness.

**Q: How will payroll expenses and other forgivable expenses be determined for self-employed borrowers, including those with home offices?**

A: See document title "SBA – Self Employed Individuals (Guidance)" for specific detail. The SBA defines payroll costs for borrowers who file a Schedule C as their Net Income according to their Schedule C.



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**Q: Does a business's self-rental payments qualify for forgiveness?**

A: We can't answer yet because the SBA has to provide more guidance on what rent is eligible because like much of the existing guidance, it is too broad right now.

**Q: What will the SBA require to remit forgiveness amounts to lenders?**

A: Another important topic where the guidance issued to date by the SBA is too broad to use. The SBA has however been clear that without supporting documentation, there will be no Loan Forgiveness but haven't said exactly what documentation is required! In the absence of more detailed guidance, we recommend that you save all documentation on use of loan proceeds.

**Q: When does the eight (8) week period start?**

A: The eight (8) week covered period begins on the date the PPP Loan is funded to your checking account.

**Q: Can borrowers seek PPP Loan Forgiveness immediately after their eight (8) week period, or do they have to wait until month 6 when the deferment is over?**

A: We can't answer because SBA still needs to provide guidance on what is acceptable documentation for forgiveness; when can you apply for it; and timing once you apply. All banks are going to need time to process forgiveness on the SBA's behalf, so doubtful it will start immediately after the eight-week period is over which is probably why there is the six-month payment deferral feature.

**Q: Absent other eligibility requirements, what if we only use sixty (60) percent of loan proceeds for payroll costs? If we decide to give a bonus or hazard pay- will that be eligible as payroll costs for purposes of getting to the seventy-five (75) percent?**

A: We believe that calculation of payroll costs will be like the due diligence required when you applied for the PPP Loan so all wages will be included as payroll cost. Keep in mind that payroll costs are still limited to an annualized limit of \$100k per employee, so any amount paid over the eight (8) week in excess of \$15,384.62 (8/52 of \$100K) to one employee will be excluded.

**Q: If I normally contribute to a SEP IRA for employees in August can I do it early and count towards the 75%?**

A: We believe that expense will be eligible if incurred and paid during the eight (8) weeks.

**Q: Will a borrower's PPP loan forgiveness amount be reduced if the borrower laid off an employee, offered to rehire the same employee, but the employee declined the offer?**

A: We don't believe it will be reduced as long as the borrower has made a good faith, written offer of rehire, and the employee's rejection of that offer has been documented by the borrower. You should make your employees aware that if they reject an offer of re-employment, the employee may forfeit eligibility for continued unemployment compensation.



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