



Frequently Asked Questions about the PPP Loan Program Forgiveness Requirements

Member Resources

Frequently Asked Questions

Q1: Can my Paycheck Protection Program loan be forgiven in full?

A. Yes, the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans under the Paycheck Protection Program provided the forgiveness requirements are met*. The following FAQs describe the forgiveness requirements that must be met to achieve full forgiveness.

*Please note, the [CARES Act](#) indicates forgiveness cannot exceed the amount of principle (*Section 1106(d)*), as does the [Interim Final Rule \(IFR\) on Loan Forgiveness](#) (*Section 3*); however, the IFR on Certain Pledges of Loans (*Section 1(f)*) states, “The amount of loan forgiveness can be up to the full principal amount of the loan plus accrued interest.” We are awaiting additional clarification from SBA on this topic.

Q2. What is the general process to obtain loan forgiveness?

A. To receive loan forgiveness, a borrower must complete a loan forgiveness application and submit it to the lender along with supporting documentation. The lender will review the application and make a decision regarding loan forgiveness within 60 days of receipt of a complete application. If the lender determines that the borrower is entitled to forgiveness of some or all of the amount applied for, the lender must request payment from SBA. SBA will remit the appropriate forgiveness amount to the lender, not later than 90 days after the lender issues its decision to SBA.

([IFR on Loan Forgiveness](#), Section III.2)

Q3: What happens if some or all of the loan is not forgiven?

A: If SBA determines in the course of its review that the borrower was ineligible for the PPP loan (based on the provisions of the CARES Act, SBA rules or guidance, or the terms of the borrower’s PPP loan application), the loan will not be eligible for forgiveness ([IFR on Loan](#)

[Forgiveness Section III.2](#)). The lender is responsible for notifying the borrower of the forgiveness amount. If only a portion of the loan is forgiven, or if the forgiveness request is denied, any remaining balance due on the loan must be repaid by the borrower on or before the 5-year maturity of the loan. Interest will accrue at a rate of 1%.

Note - borrowers who received a PPP loan prior to June 5, 2020 must contact their lender to request an extension of the loan maturity from 2 years to 5 years. Borrowers who receive a PPP loan after June 5, 2020 will automatically have a 5-year maturity.

[\(Paycheck Protection Program Flexibility Act \(PPPFA\) Section 2\(a\)\)](#)

Q4: If I received an EIDL grant, how does it affect my PPP loan forgiveness amount?

A: If you received an EIDL grant up to \$10,000, SBA will deduct the EIDL grant amount from the forgiveness amount remitted to the lender. For example, if a borrower received an EIDL grant of \$10,000 and a PPP loan of \$250,000, the maximum forgivable amount of the PPP loan would be \$240,000 ([IFR on Loan Forgiveness Section III.2](#)).

Q5: What is the “covered period” for forgiveness of a PPP loan?

A. The covered period for forgiveness of a PPP loan is the period in which eligible expenses may be forgiven. For those who applied for a PPP loan before June 5, 2020, the covered period begins on the date that funds are deposited and ends 8 weeks or 24 weeks later (borrower’s choice). For those who apply for a PPP loan after June 5, 2020, the covered period begins on the date funds are deposited and ends 24 weeks later, or December 31, 2020, whichever is earlier. Eligible costs incurred and payments made during the covered period can be forgiven. Please see question 10 below for additional information about the option to choose an “alternative payroll covered period.”

[\(PPPFA Section 3\(b\)\(1\)\)](#)

Q6. What qualifies for forgiveness?

A. The portion of a PPP loan that qualifies for forgiveness is equal to the sum of the following costs incurred and payments made during the covered period:

- Payroll costs including salary, wages, commissions, and similar compensation up to \$100,000 of annualized pay per employee (for 24 weeks, a maximum of \$46,154 per individual, or for 8 weeks, a maximum of \$15,385) as well as covered benefits for employees (but not owners), including health care expenses, retirement contributions, and state taxes imposed on employee payroll paid by the employer (such as unemployment insurance premiums);¹
- Interest payments on any business mortgage obligation on real or personal property that was incurred before February 15, 2020 (but not any prepayment or payment of principal);
- Payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020; and
- Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.

(IFR on Loan Forgiveness Section III.1)

¹ Payroll costs consist of compensation to 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.

Q7: Are there caps on the amount of loan forgiveness available for owner-employees and self-employed individuals' own payroll compensation?

A: Yes. The amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation for an 8-week covered period can be no more than $\frac{8}{52}$ of 2019 compensation (approximately 15.38 percent of 2019 compensation), up to a maximum of \$15,385 per individual. For a 24-week covered period, owner-employees and self-employed individuals' payroll compensation can be no more than 2.5 months' worth ($\frac{2.5}{12}$) of 2019 compensation, up to a maximum of \$20,833.

In particular, C-corporation owner-employees, are capped by the amount of their 2019 employee cash compensation and employer retirement and health insurance contributions made on their behalf. S-corporation owner-employees are capped by the amount of their 2019 employee cash compensation and employer retirement contributions made on their behalf, but employer health insurance contributions made on their behalf cannot be separately added because those payments are already included in their employee cash compensation.

Schedule C or F filers are capped by the amount of their owner compensation replacement, calculated based on 2019 net profit. General partners are capped by the amount of their 2019 net earnings from self-employment (reduced by claimed section 179 expense deduction, unreimbursed partnership expenses, and depletion from oil and gas properties) multiplied by 0.9235.

The PPP loan forgiveness application requires the borrower to certify that the amount of forgiveness being requested for owner compensation:

- does not exceed eight weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,384 per individual, if an 8-week covered period applies.

- does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual, if a 24-week covered period applies.

(IFR on Loan Forgiveness Section 3(c))

Q8: Can self-employed individuals request forgiveness of healthcare expenses and retirement contributions?

A: No. Additional forgiveness is not provided for retirement or health insurance contributions for self-employed individuals, including Schedule C filers and general partners, as such expenses are paid out of their net self-employment income.

(IFR on Loan Forgiveness Section 3(c))

Q9. Are salary, wages, or commission payments to furloughed employees; bonuses; or hazard pay during the covered period eligible for loan forgiveness?

A. Yes. The CARES Act defines the term “payroll costs” broadly to include compensation in the form of salary, wages, commissions, or similar compensation. If a borrower pays furloughed employees their salary, wages, or commissions during the covered period, those payments are eligible for forgiveness as long as they do not exceed an annual salary of \$100,000, as prorated for the covered period.

(IFR on Loan Forgiveness Section 3(b))

Q10: What is the time period for forgiveness of payroll costs?

A: Payroll costs paid or incurred during the covered period are eligible for forgiveness. Borrowers may seek forgiveness for payroll costs beginning on either:

- The date the PPP funds were deposited into the borrower's account (i.e., the start of the covered period); or
- The first day of the first payroll cycle in the covered period. This option, called the "alternative payroll covered period," is available only to borrowers with a bi-weekly (or more frequent) payroll cycle. This option is offered as an administrative convenience for businesses whose pay periods do not align with the start of the regular covered period.

(IFR on Loan Forgiveness Section III.3)

Q11: When must payroll costs be incurred and/or paid to be eligible for forgiveness?

A: Borrowers are generally eligible for forgiveness of payroll costs paid and payroll costs incurred during the covered period (or alternative payroll covered period, if chosen).

- Payroll costs are considered paid on the day that paychecks are distributed or the borrower originates an ACH credit transaction.
- Payroll costs are considered incurred on the day that the employee's pay is earned. Payroll costs incurred but not paid during the borrower's last pay period of the covered period (or alternative payroll covered period) are eligible for forgiveness if paid on or before the next regular payroll date. Otherwise, payroll costs must be paid during the covered period (or alternative payroll covered period).
- For employees who are not performing work but are still on the borrower's payroll, payroll costs are incurred based on the schedule established by the borrower (typically, each day that the employee would have performed work).
- Payroll costs that were both paid and incurred during the covered period (or alternative payroll covered period) may only be counted once.

(IFR on Loan Forgiveness Section III.3)

Q12: Is there a requirement to spend a certain amount of the loan proceeds on payroll costs?

A: Yes. At least 60% of the loan amount must be used for payroll costs to receive full forgiveness. If less than 60% is used for payroll costs, the amount of forgiveness will be adjusted such that the amount spent on payroll costs is equal to 60% of the forgiveness amount. In the case of a total loan amount of \$100,000, the following example would apply:

Total loan amount of \$100,000
\$54,000 spent on payroll costs
Multiply \$54,000 x 60% to determine the amount eligible for forgiveness
 $\$54,000 \times .6 = \$90,000$
Therefore, \$90,000 is the maximum forgivable amount

Any amount not forgiven will be carried forward as a 1% loan for up to 5 years.

([PPPEA Section 3\(b\)\(2\)\(B\)\(8\)](#)), see also [Joint Statement](#) by Treasury Secretary Mnuchin and SBA Administrator Carranza Regarding Enactment of the Paycheck Protection Program Flexibility Act

Q13. What non-payroll costs are eligible for forgiveness?

A. Non-payroll costs eligible for forgiveness consist of:

- Interest paid on any business mortgage obligation on real or personal property incurred before February 15, 2020;
- Business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020; and
- Business utility payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.

([IFR on Loan Forgiveness Section III.1](#))

Q14: When must non-payroll costs be incurred and/or paid to be eligible for forgiveness?

A non-payroll cost is eligible for forgiveness if it was paid during the covered period or incurred during the covered period and paid on or before the next regular billing date, even if the billing date is after the covered period.

Example: A borrower's covered period begins on June 1 and ends on July 26. The borrower pays its May and June electricity bill during the covered period and pays its July electricity bill on August 10, which is the next regular billing date. The borrower may seek loan forgiveness for its May and June electricity bills, because they were paid during the covered period. In addition, the borrower may seek loan forgiveness for the portion of its July electricity bill through July 26 (the end of the covered period), because it was incurred during the covered period and paid on the next regular billing date.

Note: non-payroll costs must be calculated using the borrower's covered period. Borrowers may not use the "alternative payroll covered period" to calculate non-payroll costs.

(IFR on Loan Forgiveness Section 4(a))

Q15: What are the FTE requirements for forgiveness?

A: A borrower must maintain the same number of full-time equivalent (FTE) employees during the covered period (or alternative payroll covered period) as the borrower had during one of the following reference periods (at the borrower's election):

- February 15, 2019 to June 30, 2019;
- January 1, 2020 to February 29, 2020;
- or, in the case of seasonal employers, any consecutive twelve-week period between May 1, 2019 and September 15, 2019.

(IFR on Loan Forgiveness Section 5(b))

Q16: What does “full-time equivalent employee” mean?

A: A full-time equivalent employee means an employee who works 40 hours or more, on average, each week.

(IFR on Loan Forgiveness Section 5(c))

Q17: How should a borrower calculate “full-time equivalent”?

A: A borrower can calculate FTE in one of two ways:

1. A borrower can calculate FTE as a percentage of full-time employment. Using this approach, a borrower would determine the average number of hours worked by each employee per week during the covered period and divide that number by 40. The resulting quotient is rounded to the nearest 1/10th. For example, an employee working 25 hours/week would be .6 FTE.
2. Alternatively, a borrower may elect to use a full-time equivalency of 0.5 for each part-time employee regardless of how many hours they work (as long as it is less than 40). For example, an employee working 10 hours/week would be counted as .5 FTE and an employee working 30 hours/week would also be counted as .5 FTE.

A borrower may select only one of these two methods, and must apply that method consistently to all of their part-time employees for the covered period (or alternative payroll covered period) and the selected reference period.

(IFR on Loan Forgiveness Section 5(d))

Q18: How should a borrower compare the number of FTEs during the covered period to the number of FTEs in the chosen reference period?

A: A borrower seeking forgiveness must document the average weekly number of FTE employees during the covered period (or the alternative payroll covered period) and the average weekly number of FTE employees during the selected reference period. The average weekly FTE count for the covered period will then be compared against the average weekly FTE count for the selected reference period to determine if forgiveness is met.

(IFR on Loan Forgiveness Section 5(d))

Q19: What effect does a reduction in a borrower's number of FTE employees have on the loan forgiveness amount?

A: A reduction in FTE employees during the covered period or the alternative payroll covered period reduces the loan forgiveness amount by the same percentage as the percentage reduction in FTE employees. For example, if a borrower had an average of 10.0 FTE employees during the reference period and this declined to an average of 8.0 FTE employees during the covered period, the percentage of FTE employees declined by 20 percent and thus only 80 percent of otherwise eligible expenses are available for forgiveness.

(IFR on Loan Forgiveness Section 5(b))

Q20: Is there a way to be exempted from the FTE requirements and still receive full forgiveness?

A: Yes. Three safe harbors under applicable law and regulation exempt certain borrowers from the loan forgiveness reduction based on FTE employee levels. If the requirements of any one of the following safe harbors is met, the borrower is exempt from the FTE requirements for forgiveness.

- FTE Safe Harbor #1
 - The borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and
 - The borrower then restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the borrower's pay period that included February 15, 2020.
- FTE Safe Harbor #2
 - The borrower can document an inability to rehire individuals who were employees on February 15, 2020; and
 - an inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Borrowers are required to inform the applicable state unemployment insurance office of any employee's rejected rehire offer within 30 days of the employee's rejection of the offer.
- FTE Safe Harbor #3
 - The borrower is able to document an inability to return to the same level of business activity as the business was operating at before February 15, 2020 due to compliance with requirements established or guidance issued 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 during the period beginning on March 1, 2020, and ending December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19. Such documentation must include copies of applicable COVID Requirements or Guidance for each business location and relevant borrower financial records.

Example: A PPP borrower is in the business of selling beauty products both online and at its physical store. During the covered period, the local government where the borrower's store is located orders all non-essential businesses, including the borrower's business, to shut down their stores, based in part on COVID-19 guidance issued by the CDC in March 2020. Because the borrower's business activity during the covered period was reduced compared to its activity before February 15, 2020 due to compliance with COVID Requirements or Guidance, the borrower satisfies the Flexibility Act's exemption and will not have its forgiveness amount reduced because of a reduction in FTEs during the covered period, if the borrower in good faith maintains records regarding the reduction in business activity and the local government's shutdown orders that reference a COVID Requirement or Guidance as described above.

(PPPPFA Section 3(b)(2)(A), IFR on Revisions to Loan Forgiveness IFR Section III(1)(f))

Q21: Will a borrower's loan forgiveness amount be reduced if the borrower laid-off or reduced the hours of an employee, then offered to rehire the same employee for the same salary and same number of hours, or restore the reduction in hours, but the employee declined the offer?

A: No. When calculating the loan forgiveness amount, a borrower may exclude any reduction in full-time equivalent employee headcount that is attributable to an individual employee if the borrower:

- Made a good faith, written offer to rehire such employee (or, if applicable, restore the reduced hours of such employee) during the covered period or the alternative payroll covered period;

- The offer was for the same salary or wages and same number of hours as earned by such employee in the last pay period prior to the separation or reduction in hours;
- The offer was rejected by such employee;
- The borrower has maintained records documenting the offer and its rejection; and
- The borrower informed the applicable state unemployment insurance office of such employee's rejected offer of reemployment within 30 days of the employee's rejection of the offer.

(IFR on Loan Forgiveness Section 5(a))

Q22: Will a borrower's loan forgiveness amount be reduced if an employee is fired for cause, voluntarily resigns, or voluntarily requests a schedule reduction?

A: No. Employees who were fired for cause, voluntarily resigned, or voluntarily requested and received a reduction of their hours, are not counted as an FTE reduction and do not reduce the borrower's loan forgiveness.

(IFR on Loan Forgiveness Section 5(h))

Q23: What happens if an employee's salary or wage is reduced during the PPP loan period? Is there a reduction in forgiveness?

A: Each employee's compensation during the covered period (or alternative payroll covered period) is measured against the amount the employee was compensated during the period January 1, 2020 to March 31, 2020 (quarter 1 2020). A reduction in any individual employee's salary or wages during the covered period (or alternative payroll covered period) that is more than 25% as compared to the employee's compensation during the first quarter of 2020 will generally result in a reduction in the amount of loan forgiveness.

Example for an 8-week covered period: A borrower reduced a full-time employee's weekly salary from \$1,000 per week during the reference period to \$700 per week during an 8-week covered period. The employee continued to work on a full-time basis during the 8-week covered period with an FTE of 1.0. In this case, the first \$250 (25 percent of \$1,000) is exempted from the reduction. The borrower seeking forgiveness would list \$400 as the salary/hourly wage reduction for that employee (the extra \$50 weekly reduction multiplied by eight weeks in the covered period).

Example for a 24-week covered period: A borrower reduced a full-time employee's weekly salary from \$1,000 per week during the reference period to \$700 per week during a 24-week covered period. The employee continued to work on a full-time basis during the 24-week covered period, with an FTE of 1.0. In this case, the first \$250 (25 percent of \$1,000) is exempted from the loan forgiveness reduction. The borrower seeking forgiveness would list \$1,200 as the salary/hourly wage reduction for that employee (the extra \$50 weekly reduction multiplied by 24 weeks). If the borrower applies for forgiveness before the end of the 24-week covered period, it must account for the salary reduction for the full 24-week covered period (totaling \$1,200).

(IFR on Loan Forgiveness Section 5(e))

Q24. How should borrowers seeking loan forgiveness account for a reduction based on the number of employees relative to a reduction relating to salary and wages?

A. To ensure that borrowers are not doubly penalized, the salary/wage reduction applies only to the portion of the decline in employee salary and wages that is not attributable to the FTE reduction.

Example: An hourly wage employee had been working 40 hours per week during the borrower selected reference period (FTE employee of 1.0) and the borrower reduced the employee's hours to 20 hours per week during the covered period (FTE employee of 0.5). There was no change to the employee's hourly wage during the covered period. Because the hourly wage did not change, the reduction in the employee's total wages is entirely attributable to the FTE employee reduction and the borrower is not

required to conduct a salary/wage reduction calculation for that employee.

(IFR on Loan Forgiveness Section 5(f))

Q25. Are advance payments of interest on mortgage obligations eligible for loan forgiveness?

A. No. Advance payments of interest on a covered mortgage obligation are not eligible for loan forgiveness because the CARES Act’s loan forgiveness provisions regarding mortgage obligations specifically exclude “prepayments.” Principal on mortgage obligations is not eligible for forgiveness under any circumstances.

(IFR on Loan Forgiveness Section 4(b))

Q26: What information will I need to submit to my lender to receive forgiveness?

A: All borrowers must submit a completed loan forgiveness application form with documentation verifying payroll costs, non-payroll costs, full-time equivalents, and salary/wage reductions (if any).

(IFR on Loan Forgiveness Section 6)

Q27: Are there two different loan forgiveness applications?

A: Yes. There is a regular [PPP Loan Forgiveness Application](#) and there is [PPP Loan Forgiveness Application Form EZ](#). The regular loan forgiveness application requires complete documentation of full-time equivalents and any salary/wage reductions. The loan forgiveness application labeled “EZ” is a short-form application that can be used by borrowers who either (1) had no employees during the covered period, or (2) meet a series of requirements described on the EZ application (see next FAQ).

([U.S. Treasury Website, Information for Borrowers](#))

Q28: What requirements must be met to use the “EZ” application?

A: The Loan Forgiveness Application Form EZ is available for borrowers who can check at least one of the three boxes below:

The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form.

The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee’s hours that the Borrower offered to restore and the employee refused. See [85 FR 33004, 33007 \(June 1, 2020\)](#) for more details.

The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the

Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower was unable to operate during 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 of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

([PPP Loan Forgiveness Application Form EZ](#))

Q29: Are there instructions for each of the applications?

A: Yes.

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

([U.S. Treasury Website, Information for Borrowers](#))

Q30: How will SBA review borrowers required good-faith certification concerning the necessity of their loan request?

A: When submitting a PPP application, all borrowers must certify in good faith that “[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.” The SBA has issued a safe harbor provision stating any borrower that, together with its affiliates, received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification

concerning the necessity of the loan request in good faith. All PPP loans in excess of \$2 million will be subject to review by SBA for compliance with program requirements set forth in the PPP Interim Final Rules and in the Borrower Application Form.

(SBA PPP Loan FAQs question #46)

Q31: Will SBA review individual PPP loans?

A: Yes. SBA may review any PPP loan, as the Administrator deems appropriate.

(IFR on SBA Loan Review Procedures and Related Borrower and Lender Responsibilities Section 1(a))

Q32: What borrower representations and statements will SBA review?

A: The SBA is authorized to review the following:

- **Borrower Eligibility:** The SBA may review whether a borrower is eligible for the PPP loan based on the provisions of the CARES Act, the rules and guidance available at the time of the borrower's PPP loan application, and the terms of the borrower's loan application.
- **Loan Amounts and Use of Proceeds:** The SBA may review whether a borrower calculated the loan amount correctly and used loan proceeds for the allowable uses specified in the CARES Act.
- **Loan Forgiveness Amounts:** The SBA may review whether a borrower is entitled to loan forgiveness in the amount claimed on the borrower's Loan Forgiveness Application.

(IFR on SBA Loan Review Procedures and Related Borrower and Lender Responsibilities Section 1(b))

Q33: When will SBA undertake a loan review?

A: For a PPP loan of any size, SBA may undertake a review at any time in SBA's discretion. For example, SBA may review a loan if the loan documentation submitted to SBA by the lender or any other information indicates that the borrower may be ineligible for a PPP loan, or may be ineligible to receive the loan amount or loan forgiveness amount claimed by the borrower. As noted on the Loan Forgiveness Application Form, the borrower must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full. Lenders must also comply with applicable SBA requirements for records retention.

(IFR on SBA Loan Review Procedures and Related Borrower and Lender Responsibilities Section 1(c))

Q34: Will I have the opportunity to respond to SBA's questions in a review?

A: Yes. If loan documentation submitted to SBA by the lender or any other information indicates that the borrower may be ineligible for a PPP loan or may be ineligible to receive the loan amount or loan forgiveness amount claimed by the borrower, SBA will require the lender to contact the borrower in writing to request additional information. SBA may also request information directly from the borrower. Failure to respond to SBA's inquiry may result in a determination that the borrower was ineligible for a PPP loan or ineligible to receive the loan amount or loan forgiveness amount claimed by the borrower.

(IFR on SBA Loan Review Procedures and Related Borrower and Lender Responsibilities Section 1(d))

Q35: If SBA determines that a borrower is ineligible for a PPP loan, can the loan be forgiven?

A: No. If SBA determines that a borrower is ineligible for the PPP loan, SBA will direct the lender to deny the loan forgiveness application. Further, if SBA determines that the borrower is ineligible for the loan

amount or loan forgiveness amount claimed by the borrower, SBA will direct the lender to deny the loan forgiveness application in whole or in part, as appropriate. SBA may also seek repayment of the outstanding PPP loan balance or pursue other available remedies.

(IFR on SBA Loan Review Procedures and Related Borrower and Lender Responsibilities Section 1(e))

Q36: May a borrower appeal SBA’s determination that the borrower is ineligible for a PPP loan or ineligible for the loan amount or the loan forgiveness amount claimed by the borrower?

A: Yes. SBA intends to issue a separate interim final rule addressing this process.

(IFR on SBA Loan Review Procedures and Related Borrower and Lender Responsibilities Section 1(f))

Q37: What is the timeline for the lender’s decision on a loan forgiveness application?

A: The lender must issue a decision to SBA on a loan forgiveness application not later than 60 days after receipt of a complete loan forgiveness application from the borrower. That decision may take the form of an approval (in whole or in part); denial; or (if directed by SBA) a denial without prejudice due to a pending SBA review of the loan for which forgiveness is sought.

When the lender issues its decision to SBA determining that the borrower is not entitled to forgiveness in any amount, the lender must provide SBA with the reason for its denial, together with 1) the PPP Loan Forgiveness Calculation Form; 2) PPP Schedule A; and 3) the (optional) PPP Borrower Demographic Information Form.

(IFR on SBA Loan Review Procedures and Related Borrower and Lender Responsibilities Section 2(b))

Q38: How long can payments on an outstanding PPP loan be deferred?

A: Payments on outstanding loan amounts can be deferred until the date on which the approved loan forgiveness amount is remitted to the lender, or, if a borrower does not submit its loan forgiveness request within 10 months after the end of the applicable loan forgiveness period, then the borrower will be required to begin making principal and interest payments after the 10-month period.

([PPPFA](#) Section 3(c))

Q39: If an employer receives forgiveness of a PPP loan, can the employer also delay the payment of employer federal payroll taxes?

A: Yes. A borrower who receives forgiveness of a PPP loan may also take advantage of the CARES Act provision that allows an employer to defer 50% of the employer's social security taxes until December 31, 2021 and the remaining 50% until December 31, 2022.

([PPPFA](#) Section 4(a))