

Paycheck Protection Program (PPP) Loan Forgiveness: What You Need to Know

On Friday, May 15, the Small Business Administration (SBA) released the [application for Paycheck Protection Program loan forgiveness](#) and updated its [Frequently Asked Questions document](#). The Paycheck Protection Program (PPP) allowed small businesses to receive an SBA-backed loan of up to 250% of monthly payroll costs to cover essential expenses incurred in a covered period between Feb. 15 and June 30, 2020. The SBA will forgive up to eight weeks of a borrower's loans, with the amount forgiven being contingent upon employee retention and salary preservation. If you have received a PPP loan, please consider the following as you prepare to apply for loan forgiveness:

- Today, the period of covered expenses that could be forgiven ends on June 30. However, in the recently passed HEROS Act, the House of Representatives extended the PPP covered period to Dec. 31. A companion bill has not yet been introduced in the Senate, so while this extension is not yet law, it is quite possible that the program would be modified to your benefit with this extension and other tweaks to the program that benefit borrowers.

Therefore, while we encourage borrowers to speak with their lenders about loan forgiveness using the above-linked application, borrowers might want to defer submitting their application until the next COVID-19 law is passed. We anticipate the next COVID-19 law could be passed within the next four weeks. While there was a legitimate sense of urgency to receive a PPP loan before the allotted funds ran out, the same sense of urgency does not necessarily hold true for forgiveness of the PPP loans.

- There is a requirement by the SBA that at least 75% of your PPP loan be used to cover payroll expenses. Congress is considering eliminating this requirement as well.
- The SBA has stated that it will review all loans in excess of \$2 million, in addition to other loans as appropriate, following the lender's submission of the borrower's loan forgiveness application. (See FAQ #39). This will include a verification of the borrower's certification that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." (See FAQ #31 and #46)
- Borrowers have until June 30 to re-hire furloughed or terminated employees in order to maximize the amount of loan forgiveness it may receive.
- The eight-week period of costs that may be forgiven begins on the date the lender makes the first disbursement of funds. (See FAQ # 20)
- The SBA will be coming out with additional guidance that clarifies borrowers will not be penalized if they offered to re-hire an employee and that employee declined the offer. Additionally, those employees may forfeit additional unemployment compensation. (See FAQ #40).

For more information, please contact Gabrielle Hopkins, vice president, federal affairs, at gabrielle.hopkins@autocare.org.



Bill Hanvey
President and CEO
Auto Care Association

A handwritten signature in black ink that reads "Bill Hanvey". The signature is stylized and cursive.

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