

PPP Loan Forgiveness Observations

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- *This presentation considers guidance provided by the SBA and US Department of the Treasury through **October 9, 2020**. Additional guidance is being provided on a regular basis, please refer to the US Department of the Treasury website (<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>) for recent updates.*



Today's content

1. General Observations
2. Common Borrower Issues
3. Form 3508S
4. Recently Issued SBA Guidance
5. Questions

The Forgiveness Process For Lenders

Phase	Related Tasks
Planning	<ul style="list-style-type: none">• Address borrower questions about forgiveness application, rules and impact of evolving SBA guidance• Instruct and educate borrowers about your process for accepting applications• Develop process/system for accepting and storing borrower applications and supporting documents
Process Borrower Applications	<ul style="list-style-type: none">• Accept and store borrower applications and supporting documents• Verify completeness of borrower application and supporting documents• Track and follow up on incomplete submissions
Lender Review of Borrower Application	<ul style="list-style-type: none">• Perform assessment of borrower application and requested forgiveness amount• Perform quality control review of assessment• Borrower discussions (if necessary) and conclusion on borrower request
SBA Review of Lender Decision Reporting Package	<ul style="list-style-type: none">• Prepare lender decision reporting package for submission to SBA• Submit lender decision reporting package to SBA• Additional borrower document requests from SBA and tracking (if necessary)• Correspondence with SBA and borrower discussions (if necessary)
Conclusion	<ul style="list-style-type: none">• Notify borrower of forgiveness• Determine forgiveness impact on remaining loan amount and adjustment of payment terms (if applicable)• Updating books and records to reflect forgiveness



Polling Question #1

How many PPP loan forgiveness applications will you process?

- 1. Less than 200*
- 2. 200-500*
- 3. 500-1000*
- 4. More than 1000*

Polling Question #2

What stage of the process are you in?

- 1. Haven't started*
- 2. Just beginning to take applications*
- 3. We're in the middle of the process*

General observations

- Staging by loan balance is effective for managing workloads
- Small percentage of borrowers have submitted applications
- 3508EZ is the most popular choice by borrowers
- Almost all applications support 100% forgiveness
- Borrowers determine the process timeframes
 - choosing a covered period
 - responsiveness to initial review comments
- Lack of understanding about 24-week covered period
- Misunderstanding of when first payments are due



Common borrower issues

- Using technology
- Cover period questions
- Basic information requests – what's my loan number?
- Date loan proceeds were received
- FTE, payroll reductions and Schedule A
- Supporting documents
 - Invoice AND proof of payment

Polling Question #3

Will you help borrowers complete their applications?

1. *Yes*
2. *No*

Form 3508S

This is not the automatic forgiveness concept that has widespread support.

Available for use by borrowers

- Having a loan balance of \$50,000 or less
 - Still subject to affiliate rules
 - Original loan amount vs outstanding balance at time of application
- Exempt from reductions of forgiveness attributable to:
 - Decreases in FTEs
 - Decreases in salary and wages

Form 3508S (continued)

Borrower Impact

- Less back and forth communication with lender
- Does not change documentation requirements (not automatic forgiveness)
- Less lender support during SBA review

Lender Impact

- Less verification than other forms
- Process changes (acceptance and submission, applications in process)
- 3508 and 3508EZ applicants who want to switch forms
- Little to no involvement in SBA reviews

Polling Question #4

Which non-payroll expense is the most difficult to review?

- 1. Mortgage interest*
- 2. Rent/lease*
- 3. Utilities*
- 4. None stand out as more difficult*

When borrower expenses exceed the loan amount

The October 8th Interim Final Rule allows the lender to stop verifying the expenses once they've covered the loan amount

Payroll - still must equal at least 60% of expenses

Mortgage interest

Rent & lease

Utilities

Addressing the change in deferral periods

Communication with borrowers

- None
- Send notification
- Signed modification of terms

System changes

- Single lump sum payment
- End of 24 week covered period

Polling Question #5

How did you communicate the change in deferral period to borrowers?

- 1. No communication*
- 2. Sent notification with no required response/signature*
- 3. Requested signed modification*

Questions

Questions?



Resources

- Treasury Website

<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

- SBA Website

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>

- CLA's COVID Relief Center

<https://www.claconnect.com/COVID19>

- US Chamber of Commerce

<https://www.uschamber.com/coronavirus>



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