

**SBA Paycheck Protection Program (PPP) Loans
Paycheck Protection Program (PPP) Flexibility Act
Archdiocese of Boston Frequently Asked Questions (FAQ's)
As of June 24, 2020**

These FAQ's serve as a follow up to the last round that was distributed on June 12th related to the Paycheck Protection Program (PPP) Flexibility Act, which provides greater flexibility as to how businesses may spend PPP loan proceeds.

We hope that Finance & Operations Managers and Business Managers will register for the upcoming webinars entitled "HR, Benefits, and Payroll Issues Post-PPP Funding." These webinars will be co-hosted by Human Resources, Parish Services, and the Benefits Office and will be conducted on Friday, June 26 at 10:00 am and Monday, June 29 at 3:00 pm to address this topic. The registration link is <https://attendee.gotowebinar.com/rt/4381465184013108492>. Payroll processes related to returning to normal (non-PPP) payroll will be addressed and staffing for mission for the upcoming fiscal year will also be discussed. HR, benefits, and payroll issues regarding layoffs, furloughs, and unpaid leaves will also be addressed. Information will also be provided on Pandemic Unemployment Assistance benefits and processes. The webinars will be recorded and posted to the RCAB Risk Management website for those who cannot attend.

Separate webinars will be presented in the future on the PPP loan forgiveness application process and accounting procedures relating to the PPP funds. We'll also provide updated FAQ's as necessary.

The FAQ's below provide updated guidance that will prove beneficial if read in advance of the above webinars.

1. Do we still need to choose between an 8-week and a 24-week covered period? What if our parish was able to use the majority of the funds for payroll costs and nonpayroll costs over 8 weeks but still has funds left over to cover additional weeks of payroll? Are we permitted to use PPP funds in this manner?

Yes. Based on the current guidance, you must choose either the 8-week or the 24-week period as your "covered period." However, the updated Interim Rule that was issued by the SBA on June 23, 2020, included the following language:

***When must a borrower apply for loan forgiveness or start making payments on a loan?
A borrower may submit a loan forgiveness application any time on or before the maturity date of the loan – including before the end of the covered period – if the borrower has used all of the loan proceeds for which the borrower is requesting forgiveness.***

This is great news. This allows you to use a period somewhere between the 8 and 24 weeks to fully expend the loan proceeds and maximize forgiveness. We're awaiting additional guidance from the SBA and our lenders regarding the timing of submitting the forgiveness application based on this change. We'll keep you posted.

2. Has the SBA provided an updated version of the loan forgiveness application?

Yes. The SBA has provided an updated version of the previously issued application. They've also issued a new Form 3508EZ (attached). We'll focus on the 3508EZ form (EZ form), which is three pages in length. That form will benefit the majority of our parishes and schools. Meeting both criteria below allows us to use the EZ form.

A. 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 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

B. 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.

In summary, if you reduced an individual employee's salary or hourly rate (excluding those earning more than \$100,000) by more than 25% during the covered period, you can't use the EZ form. If you feel that you fall into that category, please send an email to the SBA@rcab.org mailbox for additional guidance. Based on the re-opening guidelines and restrictions that have been placed on houses of worship and schools, all parishes and schools should satisfy the second criteria due to the inability to operate at the same level of business activity during the covered period (8 weeks or 24 weeks).

3. Will the EZ form loan forgiveness be impacted by a reduced FTE count during the covered period?

With the new guidance, no. The EZ form does not include a penalty for a reduction in FTE's during the covered period (8 weeks, 24 weeks or a period in between) so long as both criteria in Question 2 are met. We believe all parishes and schools would satisfy the second criteria above due to the impact on the "business activity" of those locations as a result of the ongoing Massachusetts restrictions on operations. You are required to include the number employees at the time of loan application and at the time of forgiveness application. However, those numbers have no impact on the forgiveness calculation.

4. Should we continue to use the PrimePay PPP codes beyond the 8-week covered period?

Yes. Please continue to use the PrimePay PPP codes beyond the 8-week period for the time being. While we wait for additional guidance from the SBA and our lenders, we'll work to create an efficient forgiveness application and documentation process.

5. Can you provide an example of the EZ form forgiveness calculation?

Yes. Using a \$64,000 loan as an example, below is the related forgiveness calculation. This is a perfect case scenario. No layoffs or terminations were experienced during the covered period and nonpayroll costs (lines 3 & 4) were expended up to the original loan amount. Please remember that the loan was calculated based upon 2.5 times calendar year 2019 average monthly payroll costs (including the employer portion of healthcare cost and 401k match). In this case, \$51,200 represents two months of payroll costs at \$25,600 per month. \$12,800 (50% of one month's payroll cost) was provided for nonpayroll cost coverage.

<u>Payroll and Nonpayroll Costs</u>	
Line 1. Payroll Costs	51,200
Line 2. Business Mtg. Interest Payments	
Line 3. Business Rent or Lease Payments	2,000
Line 4. Business Utility Payments	10,800
<u>Potential Forgiveness Amounts</u>	
Line 5. Add the amounts on lines 1, 2, 3 and 4	64,000
Line 6. PPP Loan Amount	64,000
Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60)	85,333
<u>Forgiveness Amount</u>	
Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6 and 7)	64,000
Loan Payback	
	-

Forgiveness is calculated based upon the lowest value registered in lines 5 – 7. Obviously, forgiveness will never exceed the original PPP loan amount on line 6. However, your actual spend and the payroll cost 60% requirement will have an impact. In the above scenario, the loan is entirely forgiven.

This could be accomplished using the 8-week period, assuming you haven't had any layoffs or terminations impacting the covered period. However, since we don't typically incur external mortgage interest (Revolving Loan Fund interest is excluded), it may take longer than 8 weeks to expend the nonpayroll portion of the loan proceeds in order to enjoy full forgiveness. The change highlighted in question 1 allows you to extend beyond the 8 weeks while not going the entire 24 weeks in order to accomplish that.

6. What are the next steps?

We await additional guidance from the SBA. Their last FAQ document was released on May 27th. We hope an update will be forthcoming with the release of the new EZ form and the ability to submit a forgiveness application prior to the end of the 24 week covered period.

We're also waiting for our lenders to receive the loan documentation requirements from the SBA. That will determine their process and requirements. As of yesterday, Century Bank hadn't received an update from the SBA. If you receive updates from your lender, please forward to SBA@rcab.org.

In the past, CPA firms and lenders have conducted webinars or provided their own guidance related to SBA PPP loan changes. We're awaiting updates related to the changes noted above.

Also, as noted above, we'll schedule webinars in the future on the PPP loan forgiveness application process and accounting procedures relating to the PPP funds once additional information is received and digested.

Please stay tuned.



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ**

OMB Control No. 3245-0407
Expiration date: 10/31/2020

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
			() -
		Primary Contact	E-mail Address

SBA PPP Loan Number: _____ **Lender PPP Loan Number:** _____

PPP Loan Amount: _____ **PPP Loan Disbursement Date:** _____

Employees at Time of Loan Application: _____ **Employees at Time of Forgiveness Application:** _____

EIDL Advance Amount: _____ **EIDL Application Number:** _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

- Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs: _____

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4: _____

Line 6. PPP Loan Amount: _____

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60): _____

Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7): _____



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ**

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

_____ The dollar amount for which forgiveness is requested:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-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; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

_____ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

_____ The Borrower did not reduce salaries or hourly wages by more than 25 percent for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020. For purposes of this certification, the term "employee" includes 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.

_____ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

_____ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

_____ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

_____ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

_____ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

In addition, the Authorized Representative of the Borrower must certify by **initialing at least ONE** of the following two items:

_____ 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 (other than any 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, and reductions in an employee's hours that a borrower offered to restore and were refused).

_____ The Borrower was unable to operate between February 15, 2020, and the end of 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.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower

Date

Print Name

Title



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ**

PPP Borrower Demographic Information Form (Optional)

Instructions

1. **Purpose.** Veteran/gender/race/ethnicity data is collected for program reporting purposes only.
2. **Description.** This form requests information about each of the Borrower’s Principals. Add additional sheets if necessary.
3. **Definition of Principal.** The term “Principal” means:
 - For a self-employed individual, independent contractor, or a sole proprietor, the self-employed individual, independent contractor, or sole proprietor.
 - For a partnership, all general partners and all limited partners owning 20% or more of the equity of the Borrower, or any partner that is involved in the management of the Borrower’s business.
 - For a corporation, all owners of 20% or more of the Borrower, and each officer and director.
 - For a limited liability company, all members owning 20% or more of the Borrower, and each officer and director.
 - Any individual hired by the Borrower to manage the day-to-day operations of the Borrower (“key employee”).
 - Any trustor (if the Borrower is owned by a trust).
 - For a nonprofit organization, the officers and directors of the Borrower.
4. **Principal Name.** Insert the full name of the Principal.
5. **Position.** Identify the Principal’s position; for example, self-employed individual; independent contractor; sole proprietor; general partner; owner; officer; director; member; or key employee.

Principal Name		Position
Veteran	1=Non-Veteran; 2=Veteran; 3=Service-Disabled Veteran; 4=Spouse of Veteran; X=Not Disclosed	
Gender	M=Male; F=Female; X=Not Disclosed	
Race (more than 1 may be selected)	1=American Indian or Alaska Native; 2=Asian; 3=Black or African-American; 4=Native Hawaiian or Pacific Islander; 5=White; X=Not Disclosed	
Ethnicity	H=Hispanic or Latino; N=Not Hispanic or Latino; X=Not Disclosed	

Disclosure is voluntary and will have no bearing on the loan forgiveness decision

Paperwork Reduction Act – You are not required to respond to this collection of information unless it displays a currently valid OMB Control Number. The estimated time for completing this application, including gathering data needed, is 20 minutes. Comments about this time or the information requested should be sent to Small Business Administration, Director, Records Management Division, 409 3rd St., SW, Washington DC 20416, and/or SBA Desk Officer, Office of Management and Budget, New Executive Office Building, Washington DC 20503. **PLEASE DO NOT SEND FORMS TO THESE ADDRESSES.**