The clock is ticking: When do I have to file my Paycheck Protection Program Loan forgiveness application?



ARTICLE 10.09.20 DEAN DORTON

File your forgiveness application at your earliest convenience, but no later than…

File your forgiveness application once you have spent all of your loan proceeds or shortly after the end of your covered period. Proposals for automatic and expedited forgiveness have been plentiful. Remember when the big news was that loans of $150,000 and less would be automatically forgiven? While there may be some prospect for future changes by Congress, those prospects dimmed Thursday night, October 8, 2020, when SBA released a new loan forgiveness application, Form 3508S, for loans of $50,000 and less. But, if you prefer to play the waiting game to see if something better comes down the road, you have time.

How much time do I have?

If you don't mind making payments on your loan, you have a long time. The law says that a borrower may submit a forgiveness application any time before the loan's maturity date. This means you have two to five years, depending on your loan term.

However, if you prefer not to make payments on your loan …

You have ten months after the end of your covered period to file your application before any principal and interest payment is due. For example, if you received your PPP loan on April 10, 2020, the 24-week covered period ended on September 24, 2020. As long as you submit your forgiveness application by July 24, 2021, payments will not commence until your lender hears from the SBA.

Once you apply for forgiveness, payments are not required until the SBA determines and remits your loan forgiveness amount to the lender. The lender then has the responsibility to notify you of the amount, if any, not forgiven, and the date and amount the first payment is due.

Also, the SBA released guidance this week, clarifying that lenders must recognize the 10-month deferral period for payments outlined in the June 5, 2020, Flexibility Act, even if the loan originated before June 5, 2020. Also, a pre-Flexibility Act promissory note reflecting a 6-month deferral period does not have to be modified.

On a related note, as described above, SBA released a new loan forgiveness application, Form 3508S, for loans of $50,000 and less. SBA affiliation rules apply when determining eligibility for utilizing the new form. SBA issued instructions and a new Interim Final Rule to go with the new form. Borrowers who received a $50,000 or less loan will not have their forgiveness reduced based on decreases in headcount or salary and wages

Dean Dorton's COVID-19 Solutions Team is available to answer questions and provide you with assistance on your PPP forgiveness application.

Contact Us

Learn more about how the Coronavirus is impacting businesses by visiting our COVID-19 Resource page:

COVID-19 Resources