

Paycheck Protection Program (PPP) Forgiveness: Before You Start Your Application



How To Use This Guide

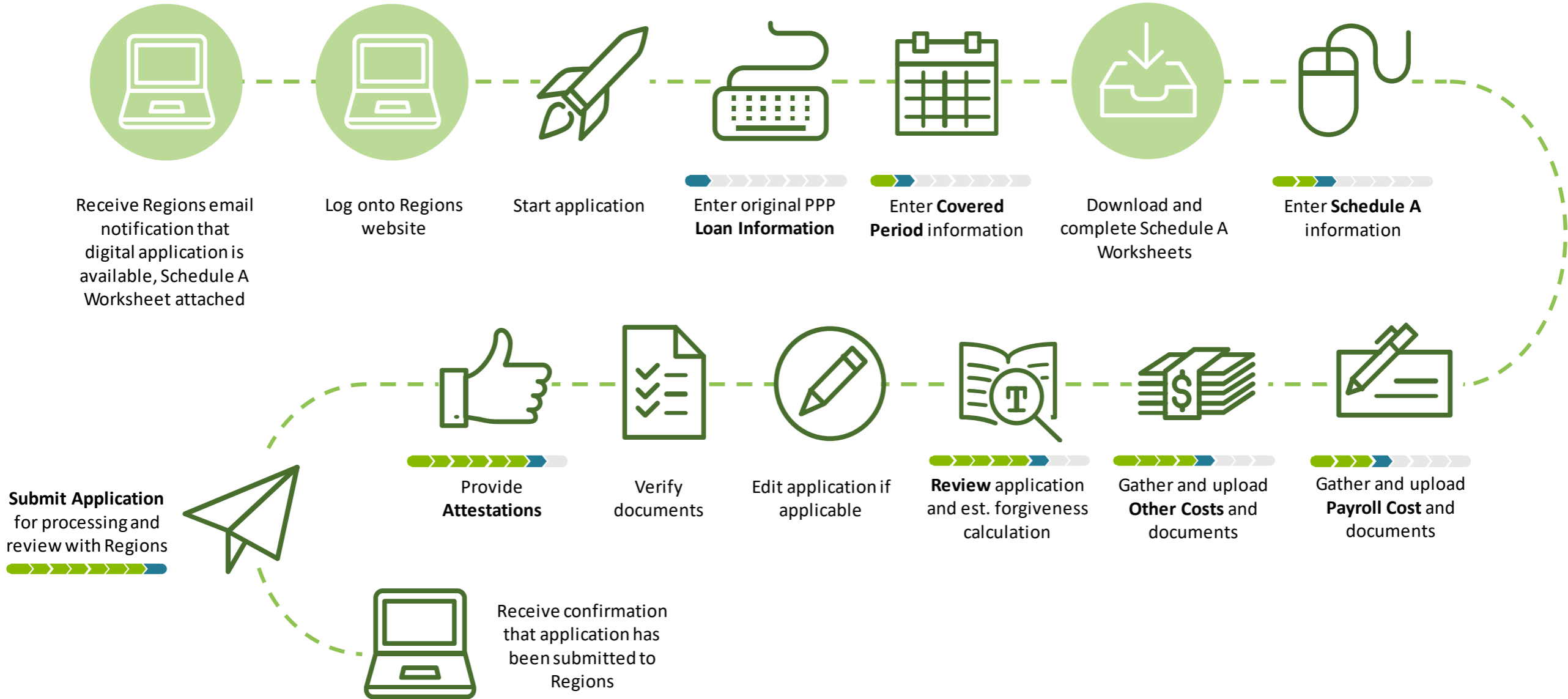
This guide will help you easily navigate Regions' PPP Forgiveness Application process using the tools and resources provided to you through the Regions PPP Portal.

This guide contains the following:

- A process flowchart outlining, in order, each step of the process to submit your PPP Forgiveness Application.
- PPP Forgiveness overview and process.
- How to determine which application you are eligible to submit.
- Listing of key terms and definitions.
- A diagram example to help you better understand “Doing the Math” when selecting a Covered Period and determining cost.
- Listing of required document types to be submitted with the application.
- Frequently Asked Questions.

PPP Forgiveness Application Process

The flowchart below reflects each step you must complete to successfully submit the PPP Forgiveness Application, with the blue arrows representing the level of completion throughout the process. Once you have started, you may exit the application at any point in the process and return at a later time to complete the application.



PPP Forgiveness Overview and Process

Overview

Under the [CARES Act](#), which created the PPP and authorized the initial PPP funding, and the PPP Flexibility Act, which amended the CARES act, all or some portion of the PPP loan principal and accrued interest can be forgiven if borrowers use the loan proceeds for eligible Payroll and Non-Payroll expenses that fully meet the forgiveness requirements issued by the SBA. The actual amount of the forgiveness will depend, in part, on whether all the loan proceeds are used for forgivable purposes and whether borrowers maintain employees and compensation levels during the required periods, according to the CARES Act, PPP Flexibility Act, and SBA rules.

Process

Applying	<ul style="list-style-type: none">• The borrower has 10 months after the end of the 24-week Covered Period to apply.• The borrower completes and submits the Loan Forgiveness Application to its lender with supporting documentation of Payroll and Non-Payroll Cost.• Reminders:<ul style="list-style-type: none">➤ 60 percent of a borrower's loan proceeds must be used for Payroll Cost and must have been spent on Payroll Cost during the 8- or 24-week loan forgiveness Covered Period.➤ If a borrower uses less than 60 percent of the loan amount for Payroll Cost during the forgiveness Covered Period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for Payroll Cost.
Processing	<ul style="list-style-type: none">• The borrower may submit the Loan Forgiveness Application anytime on or before the loan's maturity date if the borrower has used all of the loan proceeds for which it requests forgiveness. However, the borrower must apply within 10 months after the last day of the Covered Period if the borrower wishes to avoid paying principal and interest. Note: All Covered Periods default to 24 weeks; however, borrowers who applied before June 5 have the option of using an 8-week period, if they so choose.• The lender has 60 days from receipt of the complete application to issue a decision to the SBA.

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PPP Forgiveness Overview and Process

Process continued

Payment	<ul style="list-style-type: none">• SBA will, subject to any SBA review, remit the appropriate forgiveness amount to Regions, plus any interest accrued through the date of payment, not later than 90 days after the lender issues its decision to the SBA.
Notification	<ul style="list-style-type: none">• If Regions denies the application in full, Regions will notify the borrower in writing that it has issued a decision to the SBA denying the application.• If Regions approves the application (in full or in part), Regions will notify the borrower of remittance by the SBA of the loan forgiveness amount (or that the SBA determined that no loan forgiveness is allowed) and the date the borrower's first payment is due, if applicable.
Repayment	<ul style="list-style-type: none">• 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 2- or 5-year maturity of the loan.

Applications



Applications

The SBA has provided two applications, **Form 3508 – Standard Application** and **Form 3508 EZ – EZ Application**.

- When completing the Regions digital PPP Forgiveness Application, you will be presented with the below questions.
- You must meet at least one of the SBA eligibility criteria in order to complete Form 3508 – EZ Application.
- If you do not meet at least one of the criteria, you must complete Form 3508 – Standard Application.
- Based on your eligibility, you will be directed to the appropriate form as part of the digital application process.

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 (SBA Form 2483)

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

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 or sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

Note: If you were able to check at least one of the three boxes above, you can apply using Form 3508 EZ – EZ Application. To assist you with the completion of the EZ Application, you can [Click Here](#) to access the PPP Forgiveness EZ Application Reference Guide once you have completed your review of this document.

If not, [Click Here](#) to access the PPP Forgiveness Standard Application Reference Guide, after reviewing this document.

Key Terms



Key Terms

Covered and Alternative Payroll Covered Periods

When must Payroll and Non-Payroll Cost be incurred and/or paid to be eligible for forgiveness?

In general, Payroll and Non-Payroll Cost must be paid and/or incurred during the 24 consecutive week Covered Period or (at your election as related to Payroll Cost) the Alternative Payroll Covered Period to be eligible for forgiveness. You have the ability to choose 8 weeks instead of 24 weeks for loans that received an SBE Authorization Number before June 5, 2020.

You may seek forgiveness for Payroll Cost for the 8 or 24 weeks beginning on either:

<p>Covered Period (CP)</p>	<ul style="list-style-type: none"> • 8 or 24 weeks from the date of disbursement of your PPP loan proceeds from the lender
<p>Alternative Payroll Covered Period (APCP)</p>	<ul style="list-style-type: none"> • 8 or 24 weeks from the first day of the first payroll cycle in the Covered Period <p>The SBA recognizes that the 8- or 24-week Covered Period may not align with your payroll cycle. For your administrative convenience, if you have a bi-weekly (or more frequent) payroll cycle you may elect to use an Alternative Payroll Covered Period that begins on the first day of the first payroll cycle in the Covered Period and continues for the following 8 or 24 weeks.</p> <p>If you incur Payroll Cost during this 8- or 24-week Alternative Payroll Covered Period but pay them after the end of the Alternative Payroll Covered Period, such Payroll Cost will be eligible for forgiveness if you pay them no later than the first regular payroll date thereafter.</p>

Key Terms

Payroll and Non-Payroll Cost

The CARES Act provides that, subject to several important limitations, you are eligible for forgiveness of your PPP loan in an amount equal to the sum of the following costs incurred and payments made during the CP or APCP.

Note: Eligible Non-Payroll Cost must be paid during the CP or incurred during the COP and paid on or before the next regular billing date. Eligible Payroll Cost must be paid during the CP (or ACP) or incurred during the CP (or ACP) and paid on or before the next regular payroll date.

<p>Payroll Cost</p>	<ul style="list-style-type: none"> • Cash Compensation Payroll Cost: Consists 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, and for an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation. For each employee, eligible Cash Compensation is capped at \$100,000 annually as prorated for the CP. For the 8-week CP this is \$15,385 and for the 24-week period it is \$46,154. • Non-Cash Compensation Payroll Cost: Consist of compensation to employees (whose principal place of residence is the United States) in the form of employer contributions to defined-benefit or defined-contribution retirement plans; 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. Eligible Non-Cash Compensation is not capped.
<p>Non-Payroll Cost</p>	<ul style="list-style-type: none"> • Interest Payments: Interest payments on any business mortgage obligation on real or personal property you incurred before February 15, 2020 (but not any prepayment or payment of principal). • Rent: Rent payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020. • Utility Payments: Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.

Key Terms

Forgiveness Amount Reductions

You are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual loan forgiveness amount that you will receive may be less depending on the following reductions:

<p>Full-Time Equivalency Employees</p>	<p>The actual loan forgiveness amount that you will receive may be less depending on whether your Average weekly number of FTE employees during the Covered Period or the Alternative Payroll Covered Period was less than during your chosen reference period, which is:</p> <ul style="list-style-type: none"> • February 15, 2019 to June 30, 2019, • January 1, 2020, to February 29, 2020, or • For seasonal workers, either of the preceding periods or any consecutive 12-week period between May 1, 2019 and September 15, 2019 <p>You are exempt from such a reduction if either of the FTE Reduction Safe Harbors applies (next page)</p>
<p>Salary / Hourly Wage</p>	<p>The actual amount of loan forgiveness you will receive may be less, depending on whether the salary or hourly wages of certain employees during the Covered Period or the Alternative Payroll Covered Period was more than 25% less than during the period from January 1, 2020 to March 31, 2020</p> <p>If you restored salary/hourly wage levels by June 30, 2020, you may be eligible for elimination of the Salary/Hourly Wage Reduction amount</p>

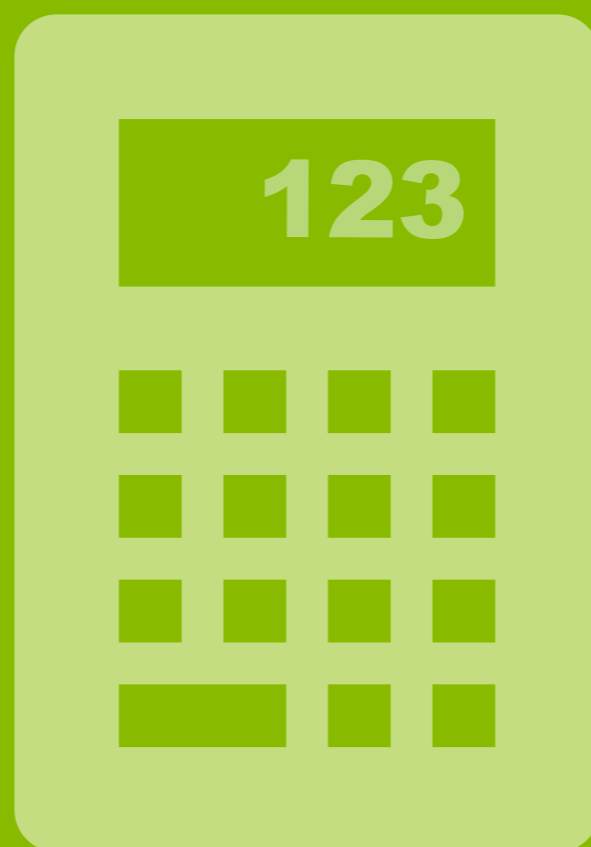
Key Terms

FTE Reduction Safe Harbors

Two separate Safe Harbors may exempt you from any loan forgiveness reduction based on a reduction in FTE employee levels, and only apply when required to complete to Form 3508 – Standard Application :

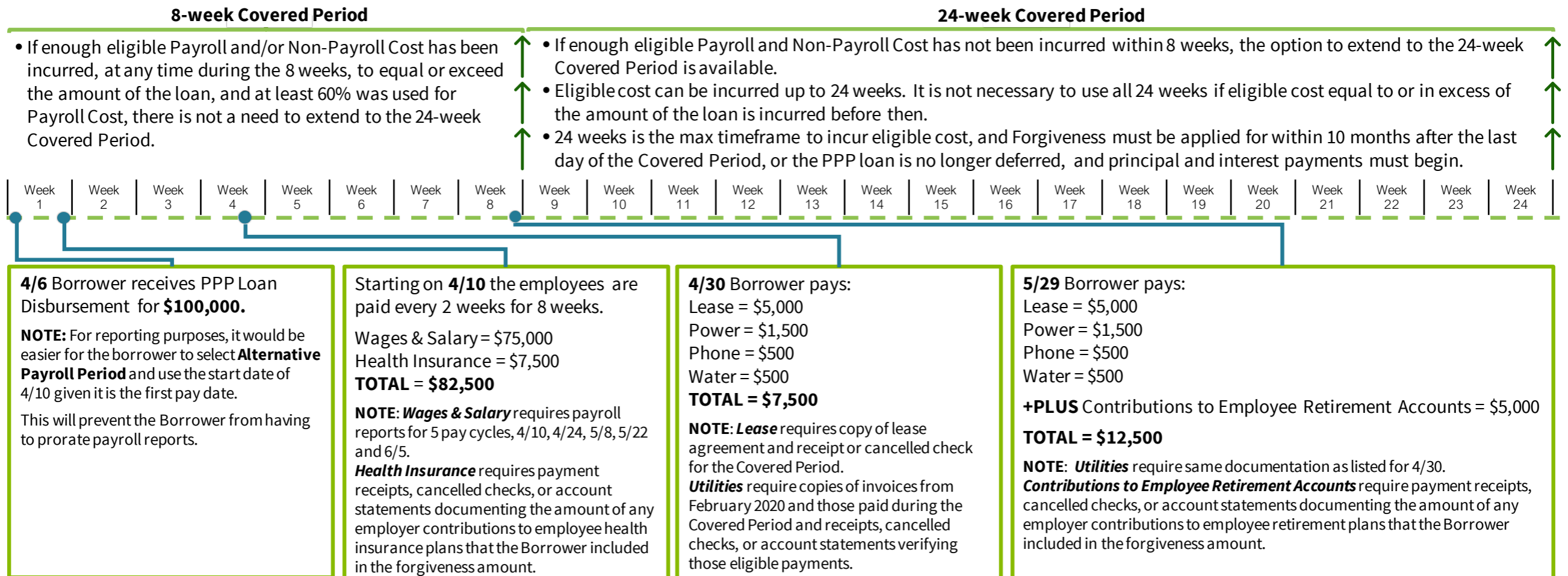
Safe Harbor Level 1	You are exempt from the reduction in loan forgiveness based on a reduction in FTE employees described above if, in good faith, you are able to document that you were unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity 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 for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.
Safe Harbor Level 2	You are exempt from the reduction in loan forgiveness based on a reduction in FTE employees described above if both of the following conditions are met: (a) you reduced your FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (b) you then restored your FTE employee levels by no later than December 31, 2020 to your FTE employee levels in the pay period that included February 15, 2020.

Doing the Math



Doing the Math: 8-Weeks vs. 24-Weeks*

At least 60% of your loan proceeds must be used for Payroll Cost, with no more than 40% spent on eligible Non-Payroll cost, and must have been spent during the 8- or 24-week Covered Period. If less than 60% of the loan amount is used for Payroll Cost during the Covered Period, you will continue to be eligible for partial loan forgiveness, subject to at least 60% of the loan forgiveness amount having been used for Payroll Cost.



For the example above, the borrower incurred eligible Payroll and Non-Payroll Cost totaling \$102,500 over the course of the 8-week Covered Period, with Payroll Cost equaling \$82,500 (\$75,000 Wages & Salary, \$7,500 Health Insurance, \$5,000 Contributions to Employee Retirement Accounts). Thus exceeding the requirement of at least 60% of the loan being used for Payroll Cost to be eligible for full forgiveness, as \$82,500 is 82.5% of the original loan amount. As noted, all required Payroll and Non-Payroll supporting documentation would be required to substantiate cost.

Considerations:

- However, if the borrower wanted to only submit eligible Payroll Cost, and not Non-Payroll Cost, they could select the 24-week Covered Period and submit Payroll Cost through 6/19. This would cover 10 weeks and give them a Payroll Cost of \$104,000. Breakdown = \$16,500 for each of the six 2-week pay cycles (4/10, 4/24, 5/8, 5/22, 6/5 and 6/19) totaling \$99,000 PLUS the \$5,000 Employee Retirement Account Contribution made on 5/29. This would allow the borrower to only submit Payroll documentation, to include Wages and Salary and Retirement Contributions.
- To make it even simpler, the borrower could expand to 11 weeks, and included the 7/3 pay cycle. This would allow the borrower to only include Wages and Salary and the corresponding required documentation for their eligible Payroll Cost, as the total would be \$115,500 for the 7 pay cycles for the 11 weeks.

* This example only covers cost incurred, and does not take FTE into consideration

Required Supporting Documents



Required Supporting Documents

In addition to your loan documents, you will need documentation of Payroll Cost verifying the eligible cash compensation and the non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period, as well as documentation of Non-Payroll Cost verifying existence of the obligations/services prior to February 15, 2020, and eligible payments from the Covered Period. In addition, if you use Form 3508 – Standard Application you may elect to provide documentation of full-time equivalency (FTE).

This supporting documentation must be available in electronic format so that you can attach it to the online Forgiveness Application. You will only be required to provide documentation verifying those cost for which you are seeking forgiveness. For example, if you are only seeking forgiveness of Payroll Cost, you are not required to provide documentation of Non-Payroll Cost (though you may elect to do so if you choose).

You will upload documents at different times in the application process, and they must meet the following requirements:

- Uploaded documents must be no larger than 8.5 MB and in one of the following formats: doc, docx, pptx, xlsx, xls, tif, tiff, pdf, bmp, jpg, jpeg, png, gif
- You can remove and upload documents again if corrections are needed.

Note: Please highlight, circle or underline values or data on each uploaded document that is included in your calculations to assist in the review of your application. Not doing so could delay the submission of your application to the SBA and require further contact from a Regions Banker.

Required Supporting Documents

<p>Schedule A Worksheet</p>	<p>You should complete the Schedule A Worksheet prior to starting your application.</p> <ul style="list-style-type: none"> • Completing and uploading the Worksheet is only required with the PPP Forgiveness Standard Application (Form 3508) • Completing and uploading the Worksheet is optional with the EZ Application (Form 3508 EZ)
<p>Payroll</p>	<p>Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period consisting of each of the following:</p> <ul style="list-style-type: none"> • Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees. • Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period: <ul style="list-style-type: none"> ➤ Payroll tax filings you have reported or will report to the IRS (typically, Form 941); <u>AND</u> ➤ State quarterly business and individual employee wage reporting and unemployment insurance tax filings you have reported or will report. • Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the borrower included in the forgiveness amount.

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Required Supporting Documents

<p>Non-Payroll</p>	<p>Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period.</p> <ul style="list-style-type: none"> • Business Mortgage Interest Payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments. • Business Rent or Lease Payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments. • Business Utility Payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
<p>FTE</p>	<p>The selected time period must be the same time period selected for purposes of calculating the average number of FTE employees during the borrower’s chosen reference period, which is:</p> <ul style="list-style-type: none"> • February 15, 2019 and June 30, 2019; • January 1, 2020 and February 29, 2020; <i>OR</i> • In the case of a seasonal employer, either of the preceding periods or any consecutive 12-week period between May 1, 2019 and September 15, 2019 <p>Documents may include payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.</p> <p>Documents submitted may cover periods longer than the specific time period (i.e., the reference period chosen to calculate the average number of FTE employees). However, borrower is only <u>required</u> to provide documentation for only that specific period.</p>

After Applying



What You Need to Know After Applying

To understand what you need to know after applying, please read the following Frequently Asked Questions (FAQs). For additional FAQs, [CLICK HERE](#).

What is the status of my forgiveness application?

If you applied online using the Regions portal, you may log in to check the status of your Forgiveness Application. Regions will email you periodically throughout the process as well. Regions, via DocuSign, will email you a final copy of your Forgiveness Application to execute via electronic signature.

When will I know how much forgiveness I qualify for?

Regions has 60 days to review your application once completed and submit its decision regarding loan forgiveness to the SBA. Regions will email you at the end of the review process, before submitting to the SBA. The SBA will, subject to any review, remit the appropriate forgiveness amount to Regions, plus any interest accrued through the date of payment, no later than 90 days after Regions submits the application to the SBA. It could take up to 150 days (approximately five months) from the date you submit your application. Complete and accurate applications will move through the process faster, so please take your time filling out the forgiveness application.

If forgiveness may take 150 days, will I have to make loan payments during that time?

No, PPP borrowers who have submitted applications for forgiveness within 10 months after the last day of the Covered Period will not have any principal or interest payments due until the forgiveness amount is remitted to Regions, unless SBA determines that the loan is not eligible for forgiveness (in whole or in part). If this occurs, Regions will notify you of the date the first payment is due.

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What You Need to Know After Applying

Can I receive partial forgiveness?

Yes. The amount of loan forgiveness can be as much as the full principal amount of the loan and any accrued interest, only if you used the loan proceeds for forgivable purposes and you maintained employee and compensation levels. The CARES Act, as amended by the PPP Flexibility Act, specifically requires certain reductions in a borrower's loan forgiveness amount if requirements are not sufficiently met. Several factors which might reduce your loan forgiveness include:

- Use of loan proceeds for unforgivable purposes
- Non-Payroll Cost which exceed 40% of the total forgiveness amount
- Reductions in hourly wages or salaries of employees by more than 25%
- Reductions in the number of employees or the hours your employees worked.

There are Safe Harbor exceptions which may still allow you to receive full forgiveness even if you reduced employees, hours worked or wages. The SBA instructions and the Regions online application will help guide you through the Safe Harbor calculations. You can find additional information about reasons for reductions in loan forgiveness amount in the CARES Act, the PPP Flexibility Act, and the SBA's various interim final rules.

What happens if the full PPP loan is not forgiven?

Any PPP loan balance remaining will be amortized over the term of your loan at 1% interest as outlined in your note. PPP loans with SBA authorization dated on or after June 5, 2020 have a term of 60 months (five years). If authorized before June 5, your loan has a term of 24 months (two years), but you have the option of requesting an extension of the term to 60 months (5 years) during the forgiveness application process. Payments of principal, interest and fees are deferred to (1) the date the SBA remits the borrower's loan forgiveness amount to Regions or (2) 10 months after the end of the Covered Period if the borrower has not applied for forgiveness at that time, unless SBA determines that the loan is not eligible for forgiveness (in whole or in part).