



Advisory



Business



PPP

# SBA provides relief to PPP Loans of \$50,000 or less

October 13, 2020

On October 8, 2020, the U.S. Small Business Administration (SBA) published a revised loan forgiveness application (form 3508S) for the Paycheck Protection Program (PPP) for borrowers with loans of \$50,000 or less. Additionally, they have published an Interim Final rule that detailed additional revisions to Loan Forgiveness and Loan Review Procedures. The SBA and Treasury determined that form 3508S simplifies the forgiveness process and protects taxpayer funds.

The following modifications were implemented to the Loan Forgiveness and Loan Review Procedures Interim Final Rules:

**New simplified application recognized as “PPP Loan Forgiveness Applications Form 3508S” consists of the following:**

- tailored for borrowers whose PPP loans totaled \$50,000 or less may use the new application form when applying for loan forgiveness
- entails fewer calculations and less documentation for eligible borrowers
- borrower who elects to use Form 3508S are exempt from performing the calculations for:
  - a. reductions in the borrower’s loan forgiveness amount based on reductions in full-time equivalent (FTE) employees; and
  - b. reductions in employee salary or wages
- borrower must certify that it meets the requirements established in the application form that:
  - funds were used for eligible expenses
  - payroll costs were at least 60% of the forgiveness amount; and
  - meet the owner-employee’s limitations and caps
  - borrowers need to provide the documentation that supports the eligible payroll and nonpayroll payments from the covered period such as:
    - tax forms
    - payment receipts, cancelled checks, or account statements documenting the amount of employer contributions to employee benefit plans
    - copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the covered period
    - business rent or lease payments
    - business utility payments

- borrower must retain all supporting documentation for six years after the date the loan is forgiven or repaid in full
- SBA believes most borrowers will not be affected by the loan forgiveness reduction due to:
  - a. borrowers that did not reduce FTE employees or reduce employee salaries or wages
  - b. borrowers that would qualify for one of the existing exemptions from loan forgiveness amounts reductions.

**Updated responsibilities concerning the lender**

- upon receiving the loan forgiveness application 3508S lenders shall confirm:
  - a. receipt of the borrower certifications contained in the SBA Form 3508S or lenders equivalent form
  - b. receipt of the documentation provided to certify payroll and nonpayroll costs
- reiterate that applicant shall not obtain forgiveness without presenting all appropriate documentation to the lender
- details the lender’s course of action when a borrower submits documentation that exceeds eligible costs
  - a. the amount of loan forgiveness that a borrower may receive cannot exceed the principal amount of the outstanding PPP loan
  - b. whether a business submits SBA forms 3508, 3508EZ, 3508S, or lender’s equivalent form, lender should confirm receipt of the documentation required in verifying payroll and non-payrolls expenses
  - c. if appropriate, lender should validate the borrower’s computations on the submission, up to the maximum amount required to attain the requested forgiveness amount.

**Resources:**

[Revisions to Loan Forgiveness and Loan Review Procedures Interim Final Rules](#)  
[PPP Loan Forgiveness Application Form 3508S](#)

We are committed to keep you updated of all developments that may affect the way you do business in Puerto Rico. Please contact us for assistance in relation to this or any other matter, we will be glad to assist you.



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