



PPP FORGIVENESS

Up to 100% of your Paycheck Protection Program loan is eligible for forgiveness, meaning that you don't have to repay it, if you meet the conditions required by the SBA. The amount of forgiveness is based on the amount of loan proceeds that you use to cover payroll costs, utilities, rent and mortgage interest obligations over the 24-week period after the loan is made. The details of the forgiveness program are still being finalized, and we expect more guidance from the SBA soon. The information presented here is based on what we know today.

For your loan to be forgivable, you must use at least 60% of the proceeds for payroll costs. The remaining 40% can be used on utilities, rent and mortgage interest obligations that were in effect before February 15, 2020. The total amount forgiven may be reduced if your full-time employee headcount declines or if the salaries and wages that you pay your employees decrease.

There are important exceptions and conditions to the Paycheck Protection Program and the terms summarized here. Please be sure to check with your lender for the latest terms and conditions.

What is included in forgivable payroll costs?

The following compensation is considered eligible payroll costs under the PPP program:

- Salary, wages and tips (up to \$100,000 of annualized pay per employee)
- Health care expenses
- Retirement contributions
- State taxes imposed on employee payroll paid by the employer (e.g., unemployment insurance premiums)
- For businesses that report on IRS Form 1040, Schedule C: Owner compensation replacement (based on 2019 net profit and subject to conditions and requirements)

What are forgivable mortgage and rent obligations?

Interest payments on your mortgage or rent payments made during the 24-week period after you receive the loan proceeds are eligible for forgiveness. A couple of things to note:

- Only mortgage interest payments, not principal payments, are eligible
- Mortgage or lease agreements must have been in effect prior to February 15, 2020

What are covered utility payments?

Payments for a service for the distribution of electricity, gas, water, transportation, telephone or internet access. The services must have been in place before February 15, 2020.

What if my loan is not completely forgiven?

If your loan is not completely forgiven, the remaining balance, including interest, will amortize over 5 years, with no payments due until the forgiveness process is complete. This will operate just like a traditional loan with monthly payments to your bank.

What documentation will I need to provide my lender to be approved for forgiveness?

Your bank will request the supporting documentation and will submit that directly to the SBA on your behalf.

As a part of the application for the PPP loan, each borrower has already provided your lender certain payroll documentation used to calculate the dollar amount of your loan. Additional payroll documentation as well as documentation to support covered mortgage payments, covered rent payments, covered utilities, and other applicable supporting documentation to verify the use of your loan proceeds will be required at the time of your request for forgiveness.

Any request for forgiveness must be accompanied with supporting documentation similar in form and fashion to the original documents you submitted, as well as any other tax filings, canceled checks and additional information your lender or the SBA may request.

Live Oak Bank cannot provide legal, tax or accounting advice. You should consult your own counsel, accountant and other advisors to evaluate your individual facts and circumstances in connection with your PPP loan and the forgiveness process.

This information is accurate and updated as of 6.9.2020. Terms and conditions are subject to change.