



Loan Review Process for Forgiveness

In most cases, we have been successful in obtaining forgiveness for our customers without SBA requiring additional documentation to approve the request; however, there will be instances where decisions on forgiveness will be delayed by SBA review. This guide is intended to assist you in understanding the process for determining loan forgiveness, and to help clarify responsibilities for repaying your PPP loan if you are approved for only partial forgiveness.

What is the loan review process for determining my forgiveness amount?

In May, SBA issued an Interim Final Rule on [SBA loan review procedures](#) (“SBA Loan Review rule”). The SBA Loan Review Procedures rule implements a new reporting requirement for lenders when approving or denying a borrower request for loan forgiveness, which includes submitting the schedule (Schedule A) used to determine the borrower’s payroll expenses. This guidance indicated **for the loans that the SBA selects for review**, banks are required to submit information to allow the SBA to review the loans for borrower eligibility, loan amount eligibility, and loan forgiveness eligibility. This last part is important as the Loan Review rule specifies that the “SBA may begin a review of any PPP loan of any size at any time in SBA’s discretion.”

Previously issued [FAQ #46](#) indicated that PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in “good faith”. The SBA Loan Review rule makes it clear that while loans over \$2 million are subject to review for the “necessity of the loan request”, any loan may be subject to a review for compliance with eligibility, loan amount, and forgiveness.

What happens if the SBA selects my loan for review?

According to new SBA loan review procedures, a lender must notify a borrower within 5 business days of receipt of such a request by the SBA. The rule also states that the SBA may reach out directly to the borrower for such requests. The SBA issued a separate interim final rule addressing the appeals process for SBA determinations that the borrower is ineligible for a PPP loan or ineligible for the loan amount OR the loan forgiveness amount claimed by the borrower.

The American Riviera Bank forgiveness team has been working closely with clients to collect the required documentation upfront in the online, secure portal to facilitate providing this documentation upon request by SBA; however, the Agency may ask for additional items and Borrowers need to be prepared to provide as soon as requested.

90 Days for Forgiveness?

The SBA Loan Review Procedures also include a new provision, which allows the SBA up to 90 days after a lender issues its decision on forgiveness “to review the PPP Loan and Forgiveness Documentation” before making a final determination. The rule calls this review period “appropriate” to prevent fraud or misuse of PPP funds and to ensure the borrower was eligible within the scope of eligible entities “the CARES Act was intended to assist”. A new 90-day window will begin once we submit requested documentation to SBA. The clock resets should the Agency request additional information from Lender or Borrower.

What issues might cause me to owe an outstanding loan balance after SBA loan forgiveness?

The deduction of EIDL advances from the forgiveness amount remitted by the SBA is the most common reason we are seeing an outstanding balance, and it is one of the biggest changes in recent SBA guidance. Per the latest [FAQs on Loan Forgiveness](#) indicate that SBA will deduct the amount of any Economic Injury Disaster Loan (EIDL) advance received by a PPP borrower from the forgiveness amount remitted to the lender. Other reasons may include Borrower was:

- a. Ineligible for a PPP loan
- b. Ineligible for amount of loan received or utilizes PPP loan funds for unauthorized uses

If ineligible for PPP forgiveness (in full or in part) If SBA approves only partial forgiveness or withholds the EIDL advance, you will be required to begin making payments to the Bank in accordance with the terms outlined in your PPP Loan Agreement. If you received your PPP loan after June 5, 2020, the repayment term is extended to five years. If the payments are not made, the loan would be considered in default on the loan obligations per the Disbursement Page of your PPP Loan Agreement. The Bank would then look to the SBA to honor their loan guaranty. Once SBA remits the funds to the Bank, the Agency will then go directly to you, the borrower, to collect the outstanding loan balance.

Can a Borrower appeal SBA’s Decision?

Yes. Details concerning the appeals process are contain in [13 CFR Part 134](#).

Payroll Protection Program Loan Forgiveness Application		OMB Control Number 3245-0047 Expiration Date: 03/31/2020
PPP Schedule A		
PPP Schedule A Worksheet, Table 1 (Total)		
Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:		_____
Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:		_____
Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1: If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of each employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check box C and enter 0 on line 3.		_____
PPP Schedule A Worksheet, Table 2 (Total)		
Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:		_____
Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:		_____
Non-Cash Compensation Permitt Costs During the Covered Period or the Alternative Payroll Covered Period		
Line 6. Total amount paid by Borrower for employer contributions for employee health insurance:		_____
Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans:		_____
Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation:		_____
Contributions to Owners		
Line 9. Total amount paid to owner-employees/self-employed individual/general partner: This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.		_____
Total Payroll Costs		
Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):		_____
Full-Time Equivalent (FTE) Reduction Calculation If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check box C1, skip lines 11 and 12 and enter 1.0 on line 13.		
Line 11. Average FTE during the Borrower's chosen reference period:		_____
Line 12. Total Average FTE (add lines 2 and 5):		_____
Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Quotient is zero:		_____

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