

# CARES Act Payment Protection Program



## Frequently Asked Questions as of March 01, 2021

This FAQ is intended to provide a general summary of certain key provisions of the Paycheck Protection Program. Detailed provisions, as well as all related application forms, can be found at [sba.gov/ppp](https://sba.gov/ppp).

### OVERALL

#### Q. What is the purpose of the PPP in the CARES Act?

A. The CARES Act establishes a new Paycheck Protection Program (PPP), a federally-guaranteed, low-interest loan program intended to help small businesses keep their employees working. Most small businesses, non-profits, and sole proprietorships may be eligible for these low-interest loans, which provide for an extensive loan deferment payments and, for most loans, a maturity of five years

#### Q. What are the loan features?

A. The loan features include:

- Streamlined application requirements that can be completed online.
- No SBA fees.
- Deferred payments.
- Borrowers are eligible for loan forgiveness equivalent to what is spent on eligible expenses during the covered period after the loan is originated.

For any amounts not forgiven, the term for a loan originated before June 5, 2020 will be two years, although the borrower and lender can agree to extend that term to five years. Any loans approved after June 5, 2020 will have a five-year term.

The interest rate on PPP loans is 1% per annum. There are no loan fees or prepayment fees.

### LOAN FORGIVENESS

#### Q. How does PPP loan forgiveness work?

A. The overarching focus of the PPP is keeping small business workers paid and employed, so it prioritizes loan forgiveness for amounts that go to payroll costs. It also limits the proportion of non-payroll costs that can be forgiven to 40% of the loan amount. This is intended to ensure that the funds available for forgiveness are primarily directed toward payroll protection.

Note: If you use less than 60% of your loan amount for eligible payroll costs, you will be eligible for partial loan forgiveness based on the amount of your loan used for such costs divided by 60% of your loan amount.

#### Q. What is the Covered Period for loan forgiveness?

A. For loans funded in 2020, the Covered Period begins on the date of loan disbursement and continues to the earlier of 24 weeks from the disbursement date, or until December 31, 2020.

Borrowers whose loans were originated prior to June 5, 2020 may choose to use an 8-week length of time for their Covered Period beginning on the date of loan disbursement, but cannot exceed a 24-week period.

Borrowers whose loans were originated in 2021 may choose a covered period of between 8 and 24 weeks following the funding of the loan.

#### Q. What expenses are covered?

A. In order to be eligible for full loan forgiveness, at least 60% of your loan amount must be spent on payroll costs:

- Payroll costs include: payments to employees in the form of salary/wages/commissions/tips; payment for vacation/parental/family/medical or sick leave; allowance for separation or dismissal; payment for employee benefits consisting of group health care/life/disability/vision/or dental insurance payment or premiums; retirement; and payment of state and local taxes assessed on compensation of employees
- For a sole proprietor or independent contractor with no employees, payroll costs include: wages, commissions, income, or net earnings from self-employment

Once this payroll cost requirement is met, the loan amount is further eligible for forgiveness to the extent spent on Eligible Non-Payroll Expenses, including:

- Business rent, utilities, or interest on mortgage obligations relating to services incurred or arising under an agreement executed before February 15, 2020
- Certain operational expenditures for business software, cloud computing, other human resources and accounting needs
- Costs related to property damage, excluding residential property damage, due to public disturbances that occurred during 2020 that was not covered by insurance
- Supplier costs pursuant to a contract for goods in effect prior to taking out the loan that were essential to the borrower's operations at the time at which the expenditure was made
- Personal protective equipment and adaptive investments to comply with health and safety guidelines related to COVID-19
- Other expenses may qualify towards your loan forgiveness amount. Please refer to [sba.gov/ppp](https://sba.gov/ppp) or [treasury.gov/cares](https://treasury.gov/cares)
- **Note:** If you use less than 60% of your loan amount for eligible payroll costs, you will be eligible for partial loan forgiveness based on the amount of your loan used for such costs divided by 60% of your loan amount

Covered Period:

- Eligible expenses must be incurred or spent during a period of between 8 and 24 weeks following the funding of the loan

**Q. What are the payroll requirements?**

A. If you are using Form 3508 or Form 3508EZ to maximize your loan eligibility for forgiveness, you had until December 31, 2020 (or, if you filed after December 27, 2020, until the last day of your covered period) to:

- Restore your full-time employee level to offset any staff reductions that occurred between February 15, 2020 and April 26, 2020, or demonstrate and document your best faith efforts to retain employees during that time period.
- Restore salaries and wages that were reduced more than 25% during a covered period between 8 and 24 weeks that applies to your loan as compared to the first calendar quarter of 2020 most recent full quarter before the covered period.
- Generally, if you are using Form 3508S and your loan amount is \$50,000 or less, you are exempt from any reductions in the borrower's loan forgiveness amount based on reductions in full-time equivalent (FTE) employees or reductions in employee salary or wages that would otherwise apply.

**Q. Are benefit payments to those employees who make more than \$100,000 per year forgivable?**

A. Yes. Employer contributions for employee health insurance or retirement plans are forgivable, even for those employees who make over \$100,000 per year. However, contributions for self-employed individuals, general partners, or owner-employees are not eligible.

**Q. Can I use this loan to help bring back employees who have been laid off?**

A. Yes. This program rewards borrowers that hire back workers who may have been laid off. Loan forgiveness is based on your ability to maintain or quickly rehire employees, and to maintain salary levels.

**Q. What will reduce my loan forgiveness amount?**

A. If you are using Form 3508 or Form 3508EZ, your loan forgiveness will be reduced if you:

- Decreased your full-time employee headcount. You had until the earlier of December 31, 2020 or the date on which you submit your forgiveness application to restore your full-time headcount for any changes made between February 15, 2020 and April 26, 2020. See below for an important exception.\*
- Decreased salaries and wages by more than 25% for any employee who made less than \$100,000 annualized in 2019. You had until the earlier of December 31, 2020 or the date on which you submit your forgiveness application to restore employee salaries or wages that were reduced by more than 25%.

*\*If you are using the Form 3508S, you are exempt from any reductions in the borrower's loan forgiveness amount based on reductions in FTE employees or reductions in employee salary or wages that would otherwise apply.*

**Q. Will my loan forgiveness amount be reduced if I laid off an employee, offered to rehire the same employee, but the employee declined the offer?**

A. No. Your loan forgiveness amount will not be reduced if you make a good faith, written offer of rehire, and document the employee's rejection of that offer. Employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

**Q. Will my loan forgiveness amount be reduced due to a reduction in headcount if I was unable to operate at the same level of business activity as before February 15, 2020?**

A. No. If you weren't unable to return operations to pre-February 15, 2020 levels and can document that this was due to compliance with requirements related to standards for sanitation, social distancing, or any other COVID-19 related worker/customer safety requirement, your forgiveness amount will not be reduced due to a reduction in headcount. See details below.

**Q. What is the full-time equivalent (FTE) Safe Harbor?**

A. If you are using the Form 3508 or the Form 3508EZ and reduced your number of FTEs, your forgiveness amount may be subject to a reduction. However, two separate safe harbors exempt certain borrowers from this reduction.

You are exempt from the reduction in loan forgiveness:

1. If you can, in good faith, 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 (or, for a PPP loan made after December 27, 2020, requirements established or guidance issued between March 1, 2020 and the last day of the Covered Period), 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; or
2. If both of the following conditions are met: (a) the 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 to the levels in your pay period that included February 15, 2020 by not later than (i) December 31, 2020, for a PPP loan made before December 27, 2020, or (ii) the last day of the Covered Period, for a PPP loan made after December 27, 2020.

**Q. What is the Salary/Wage Safe Harbor?**

A. The Salary/Wage Safe Harbor is designed to promote the restoration of salaries for employees who make no more than \$100,000 annually. Your loan forgiveness amount will be reduced if, during the Covered Period, you reduced, by more than 25% (compared to the most recent full quarter prior to the Covered Period), the salary of an employee who makes up to \$100,000. However, the Salary/Wage Safe Harbor gives you the opportunity to recoup this forgiveness reduction by restoring the salary/wage of impacted employees to their pre-February 15, 2020 levels. If you can document that you restored those salaries by the earlier of the date that you submit your forgiveness application or December 31, 2020, your forgiveness amount will not be reduced.

**Q. What if I received an Economic Injury Disaster Loan (EIDL) Advance?**

A. If you received an Economic Injury Disaster Loan (EIDL) Advance in addition to your PPP loan, the SBA is no longer reducing the Loan Forgiveness amount by the EIDL Advance received.

## **APPLYING FOR LOAN FORGIVENESS**

**Q. Do I need online access to apply for loan forgiveness through Citi?**

A. Yes. Citi's loan forgiveness application is only accessible through your online Citi account. If you do not already have online access, please refer to the recent emails you received from Citi about how to enroll for an online account.

**Q. How do I apply for loan forgiveness?**

A. If you received your PPP loan from Citi, you can apply for loan forgiveness using our digital application.

The application will require you to report how you spent your loan proceeds and to provide supporting documentation verifying the number of FTE employees and their pay rates, as well as payments on non-payroll expenses. You must attest that the documents are true and that you used the forgiveness amount in the ways you reported.

**Q. When do I need to submit my loan forgiveness application by?**

A. You may submit a loan forgiveness application any time before the maturity date of your loan, which is either two or five years from loan origination. Payments on your loan will be deferred until 10 months after the completion of your Covered Period. If you have an active loan forgiveness application at that time, your payments will continue to be deferred until the SBA has denied forgiveness or remitted a forgiveness payment to Citi.

**Q. Can I check the status of my loan forgiveness application after I have submitted it?**

A. Yes. Once you have submitted your application you will be able to login to the loan forgiveness application portal at any time and view the status of your application.

**Q. Will Citi reach out to me if there is a question about my forgiveness application or if documents are missing?**

A. Yes. Citi will notify you via email to check the online application portal, which is where you will be able to see if any additional information is needed.

**Q. Do I need to complete my loan forgiveness application in a single sitting?**

A. No. At any time during the process you can save your application and logout. When you log back in, you will be able to resume your application.

**Q. What should I do if I need help completing my application?**

A. There is an email address provided within the Citi application portal that can be used to submit questions. In addition, for detailed questions relating to your forgiveness eligibility, specific documentation requirements, or circumstances unique to your businesses, we encourage you to review the SBA's guidance at [sba.gov/ppp](https://sba.gov/ppp) or seek guidance from your advisors.

**Q. How long will it take for me to be notified of my loan forgiveness amount?**

A. Citi has 60 days to review your complete application. Once we have completed our review, you will receive notification of our decision as to the amount of your loan that is eligible for forgiveness. Citi will then submit the application for SBA review. The SBA has 90 days to complete its review. Following the SBA review, Citi will share the final forgiveness decision with you.

**Q. What if I disagree with Citi's decision regarding my loan forgiveness amount?**

A. After Citi makes a decision regarding your forgiveness amount, you will have an opportunity to review that decision. If you disagree with Citi's decision, you may request reconsideration of that decision and submit additional information or documentation supporting your claim.

**Q. What is the difference between the PPP Loan Forgiveness Application Form 3508, the PPP Loan Forgiveness Application Form 3508EZ, and the PPP Loan Forgiveness Application Form 3508S?**

A. There are multiple versions of the PPP loan forgiveness application available. Our online loan forgiveness portal will help you determine which version to use.

The Form 3508EZ application requires fewer calculations and less documentation than Form 3508. Borrowers eligible to use the Form 3508EZ application:

- Are self-employed and have no employees; OR
- Did not reduce the salaries or wages of their employees (excluding employees whose annualized rate of pay is more than \$100,000) by more than 25% during the Covered Period, and did not reduce the number or hours of their employees; OR

- Did not reduce the salaries or wages of their employees (excluding employees whose annualized rate of pay is more than \$100,000) by more than 25% during the Covered Period, and experienced reductions in business activity as a result of health directives, issued between March 1, 2020 and December 31, 2020, related to COVID-19.

Form 3508S application is a simpler loan forgiveness application for borrowers with PPP loans of \$150,000 or less. Borrowers who qualify to use Form 3508S are exempt from any reductions in their loan forgiveness amount based on reductions in FTE employees or reductions in employee salary or wages that would otherwise apply.

#### Q. What documentation is needed?

A. Depending upon which loan forgiveness application you qualify to use, the documentation you will need to submit and to retain will vary.

Generally speaking, borrowers will need to provide the following types of documentation:

- 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:
  - 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
- 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

**Non-payroll** (for expenses that were incurred or paid during the Covered Period and showing that obligations or services existed prior to February 15, 2020):

- Business mortgage interest payments: Copy of lender amortization schedule and receipts verifying payments, or lender account statements
- Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments
- Business utility payments: Copies of invoices and receipts, cancelled checks or account statements

This list of documents required to be submitted to Citi is not all-inclusive.

More details can be found in the SBA Application Instructions provided at [sba.gov/ppp](https://sba.gov/ppp).

#### Q. Do I need to complete the Schedule A worksheet to apply for forgiveness through Citi?

A. All borrowers who are using PPP loan forgiveness application Form 3508 need to complete the Schedule A worksheet (included in the SBA application) or obtain its equivalent (i.e. a report from

a third-party payroll provider) to ensure they have the needed information to complete their application. Schedule A does not need to be submitted, but borrowers should maintain a copy of it for their records. Borrowers using Form 3508EZ or Form 3508S application do not need to complete the Schedule A worksheet.

## LOAN REPAYMENT

### Q. What is the repayment process?

A. You will not have to make any payments during the payment deferment period. However, interest will accrue on your PPP loan during this period. The payment deferment period begins on the loan's funding date and ends shortly after the SBA remits a full or partial loan forgiveness payment to Citi for your loan, or denies forgiveness. The remaining principal amount of the loan, along with accrued interest on that amount at 1% per annum, must be repaid over the remaining term of the loan.

### Q. Can I pay my loan off before its maturity date?

A. Yes, you can pay your loan off before its maturity date. There are no prepayment penalties or fees. A Citi banker can assist with getting this process started; after speaking with a banker, you will receive an email statement with your payoff amount. PPP loans accrue interest at 1% per annum. Principal and accrued interest must be paid in full for your loan obligation to be satisfied. In order to repay the PPP loan in full, we recommend that payment be made in the form of certified check, cashier's check or a federal funds wire transfer. Both wiring and mailing information is provided in the statement of the payoff amount.

### Q. Can I pay my loan off and then apply for loan forgiveness?

A. No. Once you pay off your PPP loan in full, you become ineligible to apply for that loan's forgiveness in the future. If you want all or part of your PPP loan forgiven, you must apply for loan forgiveness prior to paying off your loan.

### Q. What happens to my PPP loan after the payment deferment period?

A. After the payment deferment period for your PPP loan ends, your loan's principal amount will be calculated as the original loan amount less the amount for which the SBA remitted forgiveness (excluding any portion of that payment which may be attributable to accrued interest). Following the payment deferment period, which begins on the loan's approval date, the remaining principal amount of the loan, along with accrued interest on that amount at 1% per annum, must be repaid over the remaining term of the loan.

### Q. How long will payments on my loan be deferred?

A. If you have an active loan forgiveness application pending 10 months after the end of your Covered Period, your deferment period will end once the SBA remits the loan forgiveness amount to Citi (or notifies Citi that no forgiveness amount is permitted). If you do not have an active loan forgiveness application pending 10 months after the last day of your Covered Period, your deferment period will end and loan payments will commence. For example, if your covered period ends on October 30, 2020, you have until August 30, 2021 to apply for forgiveness before the loan repayment period begins.