
CARES ACT PAYCHECK PROTECTION PROGRAM FREQUENTLY ASKED QUESTIONS

Important Update – New legislation, signed into law on December 27, 2020, authorizes the Small Business Administration (SBA) to approve Paycheck Protection Program (PPP) loans up to the \$284.5 billion in allocated PPP funding.

For the latest information, please visit the [SBA website](#).

- According to the legislation, PPP loans will be available to businesses with 500 or fewer employees that have not previously received a PPP loan to help with payroll, rent, utilities, healthcare costs and more
- In addition to providing for new PPP loans for first-time borrowers, the legislation also allows certain existing PPP borrowers to receive a “second draw” PPP loan if they have used all of their first loan (or will have by the time of disbursement of the second loan), have no more than 300 employees and can demonstrate a year-over-year quarterly revenue reduction of at least 25%
- The legislation also expands the list of allowable and forgivable expenses, which apply to existing PPP loans for which a borrower has not yet received forgiveness. Additionally, the legislation provides for a more flexible Covered Period.

At International Finance Bank, the PPP is administered online only. All information and correspondence related to PPP will occur online and through email, including the application process, submission of required documents and follow-up correspondence.

Simplified PPP loan forgiveness process

Additionally, the new legislation includes provisions that further simplify the PPP loan forgiveness application process for loans of \$150,000 or less, whereby a borrower signs and submits a simplified certification to the lender. The legislation requires the SBA to produce a simplified forgiveness application not more than one page in length within 24 days from enactment into law.

We are awaiting this additional guidance from the SBA and plan to roll out our simplified PPP loan forgiveness application in February.

For up-to-date rules for the SBA’s PPP loan forgiveness process, including your Covered Period, the type of costs that are eligible for forgiveness and what documentation you will need to submit as part of your application, please visit the [SBA website](#).

These FAQs are provided for your convenience. Please be sure to understand and comply with the guidance issued by the SBA.

General questions

What is the Paycheck Protection Program (PPP)?

The Paycheck Protection Program (PPP) is a federal relief program established by Congress and implemented by the U.S. Treasury Department and the Small Business Administration (SBA) with rules, requirements, protocols and processes that all participating lenders, including International Finance Bank, must follow.

The eligibility requirements are outlined for applicants on the [U.S. Treasury](#) and [SBA](#) websites.

What counts as payroll costs?

As of April 2, 2020, in an Interim Final Rule (IFR), the SBA has stated that payroll costs include:

- Salary, wages, commissions or similar compensation (capped at \$100,000 on an annualized basis for each employee)
- Cash tips or the equivalent
- Payment for vacation, parental, family, medical or sick leave
- Allowance for separation or dismissal
- 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
- For an independent contractor or sole proprietor: wages, commissions, income or net earnings from self-employment or similar compensation, capped at \$100,000 on an annualized basis
- Payroll costs must be paid to employees whose principal place of residence is in the United States

Does International Finance Bank disclose the names or other information of PPP borrowers? Was my name or information disclosed by the SBA – or will it be in the future?

International Finance Bank does not publicly disclose the names or other information of clients who receive PPP loans. For more information on the disclosure of names by the SBA, please visit www.sba.gov/foia.

How can I make a payment to my PPP loan online banking?

You can make a principal-only payment or full payoff to your PPP loan via an automatic debit to your IFB account or any external account outside IFB. Please contact your loan officer or preferred banker to discuss the options that may be available to you.

Applying for a new loan

When can I apply for a new PPP loan?

New legislation, signed into law on December 27, 2020, authorizes the SBA to approve PPP loans up to the \$284.5 billion in allocated PPP funding. We are not yet accepting applications for the new round of PPP lending as we await further guidance from the SBA.

For the latest information, please visit the [SBA website](#).

I have already received a PPP loan – am I eligible for another loan?

In addition to providing for new PPP loans for first-time borrowers, the legislation also allows certain existing PPP borrowers to receive a “second draw” PPP loan if they have used all of their first loan (or will have by the time of disbursement of the second loan), have no more than 300 employees and can demonstrate a year-over-year quarterly revenue reduction of at least 25%.

For details on eligibility and requirements, please visit the [SBA website](#).

Paycheck Protection Program loan forgiveness

How does new legislation change the PPP loan forgiveness process?

New legislation, signed into law on December 27, 2020, includes provisions that further simplify the PPP loan forgiveness application process for loans of \$150,000 or less, whereby a borrower signs and submits a simplified certification to the lender. The legislation requires the SBA to produce a simplified forgiveness application not more than one page in length within 24 days from enactment into law.

We are awaiting this additional guidance from the SBA and plan to roll out our simplified PPP loan forgiveness application in February.

When can I apply for forgiveness using the simplified certification process (included in legislation signed into law on December 27, 2020)?

We are awaiting this additional guidance from the SBA and plan to roll out our simplified PPP loan forgiveness application in February. Please note:

- Clients who have not yet received an invitation to apply for PPP loan forgiveness will be provided an email with information on how to apply in the coming weeks
- Clients who have been invited to apply for PPP loan forgiveness may proceed using one of the existing applications (SBA Form 3508, 3508EZ or 3508S). However, in light of the new federal legislation, clients with PPP loans of \$150,000 or less may wish to wait to apply using the new simplified application form. We will provide an updated invitation to eligible clients when the simplified application process becomes available to them in February.
- For clients who have already submitted an application for PPP loan forgiveness, we will continue to process that application. Clients with loans of \$150,000 or less are welcome to continue with their in-process application or withdraw it and reapply using the new simplified application when it becomes available.

Clients with newly eligible expenses or who wish to elect a newly allowable Covered Period may also withdraw their in-process application and reapply. Please note that once we submit a client's application to the SBA, the client will be unable to withdraw it.

As a reminder, you may submit a loan forgiveness application at any time after the end of your Covered Period, and on or before the maturity date of your loan, as long as you have an outstanding balance on your PPP loan. This guidance applies regardless of the terms in your PPP Promissory Note.

Please note that your PPP loan deferral period will end prior to your maturity date, at which point you will need to start making payments on any unforgiven amount.

Should I apply now for PPP loan forgiveness or wait until the simplified certification process (included in legislation signed into law on December 27, 2020) is available?

If you have received an email with an invitation to apply for forgiveness, you may use the link in that email to apply now using one of the existing applications (SBA Form 3508, 3508EZ or 3508S), or wait to apply using the simplified application process (if your loan is \$150,000 or less).

Please note that we are awaiting additional guidance from the SBA related to the new legislation and plan to launch our simplified forgiveness application for loans of \$150,000 or less in February.

How will recent legislation, signed into law on December 27, 2020, change the process for Economic Injury Disaster Loan (EIDL) advance deductions?

The new legislation repealed the deduction of EIDL advances from loan forgiveness amounts. We are awaiting further guidance from the SBA on how this will apply to borrowers who have and have not yet completed the forgiveness process.

How did the Paycheck Protection Program Flexibility Act impact the loan forgiveness process?

The Paycheck Protection Program Flexibility Act, signed into law on June 5, 2020 contained the following changes to the program:

- You now have a 24-week Covered Period, the period in which you must spend the PPP loan proceeds for full loan forgiveness, starting on the date the funds were disbursed. If your PPP loan was funded prior to June 5, 2020, you still have the option to use the original 8-week Covered Period.
- Your deferral period, during which payments on your loan will be deferred, will commence on the date on which your PPP loan was funded and end on (i) the date on which the amount of forgiveness as determined under section 1106 of the CARES Act is remitted to the Bank (or the date the SBA notifies us that no forgiveness is allowed) or (ii) the date which is ten (10) months after the last day of your Covered Period (as determined in accordance with Section 1106 of the CARES Act), if you have not applied for forgiveness by such date.

- You must use at least 60% of funds for eligible payroll costs to qualify for full loan forgiveness, down from 75%
- You can use up to 40% of funds for eligible nonpayroll costs, up from 25%

You can find up-to-date information on the rules of the program on the [SBA website](#).

When can I apply for PPP loan forgiveness?

We are working to deliver the best possible experience for you during this important time. We will email you with specific instructions on how and when you can apply when the PPP loan forgiveness application portal becomes available to you.

As a reminder, based on the latest updates from the SBA, you now have more time to gather your documents and prepare your application. The timeframe for applying for loan forgiveness in the promissory note no longer applies.

If I elect to use the SBA's new loan forgiveness application (Form 3508S), will I be required to submit documentation?

Yes. The latest guidance from the SBA requires borrowers using Form 3508S - as well as Form 3508 and Form 3508 EZ - to submit documentation in connection with their loan forgiveness application. You will not be eligible to receive loan forgiveness without supporting documentation.

For detailed information on the application, including Covered Periods, the type of costs that are eligible for forgiveness, and what documentation you will need to submit in connection with your application, please visit the [U.S. Treasury](#) and [SBA](#) websites.

How do I know if I am eligible to apply for loan forgiveness?

You may apply for forgiveness at any time before the maturity of your loan. You should have gotten an email with an invitation to submit your forgiveness application. You may also send a request for a new application link at paycheckprotectionprogram@ifbbank.com.

How can I apply for PPP loan forgiveness if I cannot locate or deleted the email with instructions?

If you deleted your email, please proceed to contact your loan officer or preferred banker. You may also send a request for a new application link at paycheckprotectionprogram@ifbbank.com.

Can I submit a paper application for PPP loan forgiveness?

Applications for PPP loan forgiveness at International Finance Bank must be submitted digitally through our online PPP loan forgiveness application portal. We will not accept paper loan forgiveness applications.

How long do I have to apply for loan forgiveness?

Regardless of the terms in your PPP Promissory Note, as long as you have an outstanding balance on your PPP loan, you may submit a loan forgiveness application any time after the end of your Covered Period, but on or before the maturity date of your loan.

We will notify you by email of any changes to your loan forgiveness application window.

Please note that your PPP loan deferral period will end prior to your maturity date, at which point you will need to start making payments on any unforgiven amount.

I paid off my PPP loan – am I still eligible for forgiveness on that loan?

No. According to the rules of the PPP program established by the SBA, a borrower who paid their PPP loan in full would not be eligible to apply for forgiveness.

For additional information, please visit the [SBA website](#).

When does my PPP loan deferral period end? When do I need to start making payments on my PPP loan?

The Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) extended the deferral period for borrower payments of principal and interest on all PPP loans to the earlier of (a) the date that the SBA remits the forgiven amount to the lender or notifies the lender that no forgiveness is allowed; and (b) the date that is 10 months after the date that is the earlier of (i) 24 weeks after the end of the borrower's "Covered Period" or (ii) December 31, 2020, if the borrower does not apply for forgiveness by such date.

Can I apply for forgiveness prior to the end of my elected Covered Period?

No. The current SBA application for PPP loan forgiveness contains certain representations and documentation requirements that relate to the end of the Covered Period. As a result, you will only be able to apply for loan forgiveness through International Finance Bank once your Covered Period has ended.

Which PPP loan forgiveness application should I use?

In an effort to make it easier for some businesses to apply for PPP loan forgiveness, the SBA has published two additional PPP Loan Forgiveness Applications - Form 3508EZ and Form 3508S, for borrowers who meet certain requirements. To determine if you are able to use either of those applications, you should review the [Checklist for Using SBA Form 3508EZ](#) and the [Form 3580S](#) on the SBA's website.

Borrowers who do not meet the requirements for using Form 3508EZ or Form 3508S will apply using the updated PPP Loan Forgiveness Application Form 3508.

How can I prepare to apply for loan forgiveness?

Once you determine which SBA Loan Forgiveness Application Form you will use, we recommend that prior to applying, you carefully review and fill out the applicable form, and gather the required documentation specified in the instructions:

- [PPP EZ Loan Forgiveness Application Form 3508EZ](#)
- [PPP EZ Loan Forgiveness Application Instructions](#)
- [PPP Loan Forgiveness Application Form 3508](#)
- [PPP Loan Forgiveness Application Instructions](#)
- [PPP Loan Forgiveness Application Form 3508S](#)
- [PPP Loan Forgiveness Application Form 3508S Instructions](#)

Who determines the amount of loan forgiveness?

The U.S. Treasury and Small Business Administration (SBA) are responsible for the rules of the program, which determine the amount of loan forgiveness you may receive. This can include full, partial or no forgiveness.

Where should I go if I have questions?

For detailed information on the application, Covered Periods, the type of costs that are eligible for forgiveness and what documentation you will need to submit in connection with your application, please visit the [U.S. Treasury](#) and [SBA](#) websites.

How is the amount of owner compensation that is eligible for loan forgiveness determined? What if I am an owner of multiple businesses with multiple PPP loans?

The applicable IFRs and FAQs provide that the amount of compensation of owners who work at their business that is eligible for forgiveness depends on the business type and whether the borrower is using an eight-week or 24-week Covered Period. The amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at the lesser of \$20,833 per individual or the 2.5-month equivalent of their applicable compensation in 2019 (whichever is lower) **in total across all businesses in which he or she has an ownership stake**. For borrowers that received a PPP loan before June 5, 2020 and elect to use an eight-week Covered Period, this cap is \$15,385 per individual or the 8-week equivalent of their applicable compensation in 2019 (whichever is lower) in total across all businesses in which he or she has an ownership stake. **If their total compensation across businesses that receive a PPP loan exceeds the cap, owners can choose how to allocate the capped amount across different businesses.**

Is interest on unsecured credit eligible for loan forgiveness?

Payments of interest on business mortgages on real or personal property (such as an auto loan) are eligible for loan forgiveness. Interest on unsecured credit is not eligible for loan forgiveness because the loan is not secured by real or personal property. Although interest on unsecured credit incurred before February 15, 2020 is a permissible use of PPP loan proceeds, this expense is not eligible for forgiveness.

What utility payments are eligible for forgiveness?

Business payments for a service for the distribution of electricity, gas, water, transportation, telephone or internet access for which service began before February 15, 2020.

Are rent payments made to related parties eligible for forgiveness?

In an Interim Final Rule on Treatment of Owners and Forgiveness of Certain Nonpayroll Costs originally posted on August 24, 2020, the SBA has stated rent payments to related parties are eligible for forgiveness so long as 1) “the amount of loan forgiveness requested for rent or lease payments to a related party is no more than the amount of mortgage interest owed on the property during the Covered Period that is attributable to the space being rented by the business” and 2) “the lease and mortgage were entered into prior to February 15, 2020.” Borrowers must provide mortgage interest documentation to substantiate these payments. And where the payor requests forgiveness for amounts paid to a related party, the related party cannot also request forgiveness for that same amount. Additionally, “[w]hile rent or lease payments to a related party may be eligible for forgiveness, mortgage interest payments to a related party are not eligible for forgiveness.”

Are any individuals with an ownership stake in a PPP borrower exempt from application of the PPP owner-employee compensation rule when determining the amount of their compensation that is eligible for loan forgiveness?

In an Interim Final Rule on Treatment of Owners and Forgiveness of Certain Nonpayroll Costs originally posted on August 24, 2020, the SBA clarified that, for C- and S-Corp borrowers, owners with less than a 5% ownership stake are exempt from the owner-compensation cap.

Are amounts attributable to the business operation of a tenant or sub-tenant of the PPP borrower or, in the context of home-based businesses, household expenses, eligible for forgiveness?

No. In an Interim Final Rule on Treatment of Owners and Forgiveness of Certain Nonpayroll Costs originally posted on August 24, 2020, the SBA has stated that the amount of loan forgiveness requested for nonpayroll costs may not include any amount attributable to the business operation of a tenant or sub-tenant of the PPP borrower or, for home-based businesses, household expenses. The IFR provides four examples:

1. If a borrower rents a building for \$10,000/month and subleases a portion of the building for \$2,500/month, only \$7,500 of the rent is an eligible non-payroll expense.
2. If a borrower has a mortgage on a building and leases 25% of the fair market value of the building to other businesses, only 75% of the mortgage expense is eligible.
3. If a borrower operates out of a shared rental, it must prorate rent and utilities as it did on its 2019 tax filings (or, for new businesses, as it will on its expected 2020 tax filings).
4. If a borrower works out of their home, only the share of covered expenses that were deductible on their 2019 tax filings are eligible for forgiveness (or, for new businesses, expected 2020 tax filings).

I am planning to (i) sell all or part of my interest in my company, or (ii) merge my company with another company or (iii) sell some or all of the assets of my company to a third party, before my PPP loan is forgiven or paid in full. Do I need to notify International Finance Bank or the SBA?

The SBA published a Procedural Notice on Changes of Ownership on October 2 which is available on the [SBA website](#). This notice requires, in most situations, that the PPP lender provide confirmation to the SBA of your satisfaction of the requirements set forth in the Procedural Notice. Please contact your small business banker or call us at 866.457.4892 as soon as possible, but at least 10 business days before the proposed date of the sale or merger, so that we can provide assistance in setting up an escrow account if needed and answer other questions you may have as you go through this process.

