



My Business Received a Payroll Protection Program Loan: Now What?

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Payroll Protection Program (PPP) loans under the CARES Act are finally being reviewed and granted by SBA lenders. What happens next? What do you as a business need to do to make sure you obtain the maximum forgiveness possible under your loan?

The Problem: PPP loans terms are set in part by the CARES Act, and in part by your specific lender. Not all lenders will have the same requirements, and you can lose forgiveness by failing to take the right steps, at the right time.

The Short Answer: Ensure that you keep clear records of (a) how you use the PPP loan monies, (b) your full-time employee (FTE) head count for each month of 2020, and (c) your employee's individual rates of pay and how they fluctuate each pay period. Ensure that you bring your FTE headcount and pay rates of employees back to where they must be by June 30, 2020. Ensure that you use the PPP loan monies for the permitted uses, (payroll, mortgage interest, rent, and some interest on pre-existing debts). Ensure that at least 75% of the PPP loan monies are used for payroll. Ensure that you use the PPP monies in the first eight (8) weeks of the loan, and immediately apply for forgiveness for the use of PPP loan monies for the permitted purposes during that eight-week period.

The Practical Solution: Not only must you keep thorough records and use the PPP monies for the right purposes during the first eight (8) weeks of the PPP loan, but SBA lenders are putting their own requirements in the PPP loan documents. Some lenders require that you make the forgiveness application within at least ten (10) days of the end of the first eight weeks of the loan, require that the bank approve your forgiveness application, restrict you from using the PPP loan monies for non-forgivable purposes, etc. You must (a) review your loan documents the day you receive them and (b) set up a calendar for action items required by the PPP loan documents to ensure you obtain maximum forgiveness within the time limits set by the loan and the law.

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The business and tax attorneys at Wisler Pearlstine, LLP and its COVID-19 Response Team are advising clients on how to obtain and manage their PPP Loans and other government financial relief through this difficult time. If you have questions or need assistance with your PPP Loans and/or COVID-19 relief, please contact Christopher E. Ezold, Esquire, at cezold@wispearl.com or (610) 825-8400.

This article represents our best effort to assemble accurate information on an accelerated basis. However, the subject is complex, and many details have been summarized or omitted in the interest of focusing on key points. In addition, the law and the guidance issued by the government is constantly changing. You should not rely on the accuracy or completeness of this information for your business and personal decisions but, rather, should seek updated, personalized legal advice as needed.

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