

# Paycheck Protection Program

## Customer Forgiveness Guide | 3508S (S-App)

Updated as of August 10, 2021

The information contained herein does not reflect any guidance, rules or law issued after the "Last Updated" date. Please refer to <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program> for the most up-to-date information.






Thank you for participating in the Paycheck Protection Program (PPP) through Santander. This guide is for informational purposes and is designed to help you prepare for and navigate the PPP Forgiveness process **using the SBA 3508S (S-App) for loans of \$150,000 and under. Please Note: the EZ & Full Application are not discussed in this guide.** Please reference our [EZ & Full Guide](#) for more information on the forgiveness process for borrowers with PPP loans over \$150,000.

Here you'll find helpful instructions on the forgiveness rules, how to complete Santander's 3508S DocuSign Forgiveness Application, and what to expect during the forgiveness process. **Please Note: Santander has not opted into SBA's direct borrower forgiveness process, you are still required to apply for forgiveness using our DocuSign Forgiveness Application.**

It is important to note that information contained in this guide is subject to change as we await further guidance from the U.S. Treasury and SBA. Additional information on PPP laws, rules and guidance can be found at [www.sba.gov](http://www.sba.gov). You are strongly encouraged to conduct your own due diligence and consult with your own legal, tax, and/or financial advisors regarding PPP Forgiveness. We also encourage you to visit the [U.S. Treasury website](#) for additional resources.

### Using this Guide

This resource is designed to assist you at a few critical stages in your PPP forgiveness journey:

Now		Skim to learn important concepts
When You Begin to Gather Documents		Understand which documents are required by the SBA
As You Complete the Application		Use this as a desktop reference guide

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## Preparing to Apply

The following three simple steps to position you for success as you prepare for the PPP forgiveness process.

- 1 Understand the Important Concepts that are part of PPP Forgiveness.** Being grounded in the terms used and the SBA’s PPP rules will help you navigate the Forgiveness process.
- 2 Know the expenses eligible for Forgiveness**  
 Ensure your PPP loan is only used for specific Payroll and Non-Payroll Expenses.
- 3 Compile required Revenue Reduction Documents (2<sup>nd</sup> Draw PPP Loans only).**  
 All 2<sup>nd</sup> Draw PPP Loan Borrowers must evidence a minimum 25% revenue reduction with their forgiveness application if not already submitted with their loan application. Know what period to reference and what documents to provide for this requirement.

### OBTAIN PROFESSIONAL ADVICE

You are advised to consult your CPA and/or Tax Advisor in completing this application.



## Understanding Important Concepts

As you begin the PPP Forgiveness application process, it’s critical that you understand a few important concepts, such as when you must incur the expense, which expenses are eligible for forgiveness, and what factors can reduce the forgiven portion of your PPP loan.

### What does loan forgiveness mean?

The SBA will pay the principal owed and any accrued interest for approved forgiven amounts. If the forgiveness is for less than the full loan amount, you will owe both the remaining principal and interest, (including accrued interest from the beginning of the loan), on the unforgiven principal balance.

### Am I applying for forgiveness of a 1st Draw or 2nd Draw PPP Loan?

Use the chart below to determine whether you are currently applying for forgiveness of a 1st or 2nd Draw PPP, based on when you received the loan and whether you already received a PPP previously.

PPP Loan Received in ...	is...
2020	Always a 1 <sup>st</sup> Draw
2021	1 <sup>st</sup> Draw if Borrower <u>Never</u> Received a Prior PPP Loan
	2 <sup>nd</sup> Draw if Borrower <u>Did</u> Receive a Prior PPP Loan

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### Is forgiveness different for 1st and 2nd Draw PPP Loans?

One notable difference between 1<sup>st</sup> and 2<sup>nd</sup> Draw PPP loans of \$150k and under is the [revenue reduction requirement](#) for 2<sup>nd</sup> Draw PPP Loans. For 2<sup>nd</sup> Draw PPP Loans, if revenue reduction evidence was not provided at the time of loan application, it must be submitted with the forgiveness application for your 2<sup>nd</sup> Draw Loan.

Otherwise, the forgiveness process is largely similar for 1<sup>st</sup> and 2<sup>nd</sup> Draw PPP Loans:

- You will receive an Invitation to Apply for PPP Loan Forgiveness **8 weeks after receiving your PPP loan**. (For a PPP Loan received in 2020, you were already sent an email invitation to apply for forgiveness to the same email address used for your PPP loan.)
- **If you received 2 PPP loans** (1st Draw and 2nd Draw) from Santander, you are required to submit a forgiveness application for your 1st Draw PPP Loan before we send your invitation to apply for forgiveness of your 2nd Draw PPP loan.
- You will use separate forgiveness applications for your 1st and 2<sup>nd</sup> Draw PPP Loans
- 1st & 2nd Draw PPP Loans made to eligible borrowers qualify for full loan forgiveness if during the 8- to 24-week covered period following loan disbursement if:
  - Employee and compensation levels are maintained
  - The loan proceeds are spent on payroll costs and other eligible expenses (some new expenses added); and
  - At least 60 percent of the proceeds are spent on payroll costs

### How long is the payment deferral period?

To be considered for forgiveness, you must submit a completed Forgiveness Application within roughly 16 months of receiving your PPP Loan (24-week maximum Covered Period + 10 months). If you do not apply for forgiveness within 10 months after the end of the maximum 24-week Covered Period, the payment deferral period expires, and loan payments will begin.

### What is the "Covered Period"?

This is the 8 to 24-week period after funds are received when payroll and nonpayroll expenses claimed for PPP loan forgiveness must be spent. The Covered Period definition was formerly either 8 or 24 weeks, but is now no less than 8 and no more than 24 weeks from the date of disbursement.

The Covered Period begins on the date the loan was originally disbursed. It ends on a date selected by you that is at least 8 weeks following the date of loan disbursement and not more than 24 weeks after the date of loan disbursement.

**NEW**

**The Covered Period is now between 8 -24 weeks**

Covered Period was formerly either 8 OR 24 weeks.



*Example/ if you received your PPP loan proceeds on Monday, April 20, 2020, the first day of the Covered Period is Monday, April 20, 2020 and the final day of the Covered Period is any date selected by you between Sunday, June 14, 2020 and Sunday, October 4, 2020.*

### How do I know when expenses are incurred during the Covered Period?

You are eligible for forgiveness of certain costs paid or incurred during the Covered Period. This table helps identify how to categorize whether a paid or incurred expense falls within the chosen period.

Payroll Expenses	Generally, the day earned/worked (if employee is not working, but still on payroll, the day they would have worked). Payroll incurred during the last pay period of the covered period must be paid on or before the next regular payroll date.
Non-Payroll	Incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the covered period.

### What expenses can be forgiven?

**You will not have to submit expense documentation as part of the simplified 3508S forgiveness application, but you will be required to retain certain documents.** The SBA is specific about which expenses are eligible for forgiveness, including payroll and non-payroll expenses. The Economic Aid Act (December 27, 2020) included **4 new non-payroll expenses\*** eligible for PPP Forgiveness.

Payroll Expenses* (≥ 60%)	
<b>Compensation</b>	<b>Compensation</b> includes salary, wages, commissions, tips, vacation, parental, family, medical, or sick leave and allowance for separation or dismissal.
<b>State &amp; Local Taxes</b>	<b>Payment of State &amp; Local Taxes</b> assessed on compensation of employees.
<b>Employer Contributions for Employee Healthcare &amp; Retirement group health care</b>	Coverage (payment for the provision of employee benefits consisting of group health care or group life, disability, vision, or dental insurance, including insurance premiums

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	and <b>employee retirement plans</b> (not applicable to Independent contractors or sole proprietors).
<b>Non-Payroll Expenses (&lt; 40%)</b>	
<b>Mortgage Interest</b>	<b>Mortgage interest</b> payments for the business on real or personal property (debt incurred before 2/15/20).
<b>Rent</b>	<b>Rent or lease payments</b> for the business on real or personal property (lease in force before 2/15/20).
<b>Utility</b>	<b>Utility payments</b> for the business, including; electricity, gas, water, transportation, telephone, or internet access (service began before 2/15/20).
<b>Covered operations expenditures*</b>	<b>A covered operations expenditure</b> is a payment for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records and expenses
<b>Covered property damage costs*</b>	<b>A covered property damage cost</b> is a cost related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that was not covered by insurance or other compensation.
<b>Covered supplier costs*</b>	<b>A covered supplier cost</b> means an expenditure made by a borrower to a supplier of goods for the supply of goods that— (A) are essential to the operations of the borrower at the time at which the expenditure is made; and (B) is made pursuant to a contract, order, or purchase order
<b>Covered worker protection expenditures*</b>	<b>A covered worker protection expenditure</b> means an expense to facilitate maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.  These are expenses made in compliance with guidance issued by the Department of Health and Human Services, the Centers for Disease Control, or the Occupational Safety and Health Administration, or any equivalent requirements established, or guidance issued by a State or local government.
<b>*New PPP Non-Payroll expenses included in The Economic Aid Act (December 27, 2020).</b>	

**What is the “60% payroll” requirement?**

At least 60% of the PPP loan must be spent on payroll. If you spend less than 60% of your PPP funds on payroll expenses, your maximum forgiveness amount is reduced proportionally to your payroll expenses, so that payroll remains 60% of your maximum forgiveness amount. The following two examples illustrate full and reduced PPP forgiveness based on this factor:

Case 1: Payroll is at least 60% of the forgiveness claim on a \$100,000 Loan.		Case 2: Payroll less than 60% of the forgiveness claim on a \$100,000 Loan.	
Payroll Expense:	\$60,000	Payroll Expense:	\$50,000
Non-Payroll Expense:	\$40,000	Non-Payroll Expense:	\$50,000
<b>Maximum Forgiveness:</b>	\$100,000	<b>Maximum Forgiveness:</b>	<b>\$83,333.33</b>

**What are the 3 versions of the forgiveness application?**

The SBA created three versions of the forgiveness application: a simplified application for loans of \$150k or less (3508S), an EZ Application, and a Full Application.

<b>Simplified Application (3508S)</b> (Discussed in this Guide)	<b>The Simplified Application (3508S) is for loans of \$150k or less.</b> If you do not meet the loan size criteria for 3508S, you will use the EZ or Full Application
<b>EZ Application</b> ( <u>NOT</u> Discussed in this Guide)	<b>EZ Application</b> with specific qualifications around maintaining or restoring employee wages and headcount
<b>Full Application</b> ( <u>NOT</u> Discussed in this Guide)	<b>You will use the Full Application</b> if you don't qualify for the EZ application. The full application requires further detail on your payroll expenses be entered on the application.

**What can reduce the forgivable amount?**

For loans of more than \$50,000 and loans of \$50,000 or less to Borrowers that together with their affiliates received First Draw PPP Loans totaling \$2 million or more or Second Draw PPP Loans totaling \$2 million or more, head count and compensation requirements still apply. Such borrowers can still use the 3508S, but are advised to view details in [Borrowers Responsibilities](#) for more information on how to determine your eligible forgiveness amount.

**Do I need to provide supporting documentation on the 3508S (S-App)?**

<b>For a 1<sup>st</sup> Draw PPP Loan Forgiveness Application, you are not required to submit supporting documentation.</b>	<b>For a 2<sup>nd</sup> Draw PPP Loan Forgiveness Application</b> you are required to provide information and documentation supporting your 25% revenue reduction if you did not already provide this with your 2 <sup>nd</sup> Draw Loan Application.
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Note: You must maintain for three or four years, depending on the documentation type, from the date the loan is forgiven or repaid in full all records relating to your PPP loan, including documentation. For a complete list of documents to retain please see the [Document Retention](#) section in the appendix of this guide.

### If not forgiven, is the term for my loan 2 or 5 years?

The Forgiveness Application contains a modification section allowing you to request a 5-year term if your loan has a 2-year term at the time of the SBA's loan forgiveness determination. This only applies if your Paycheck Protection Program loan is not fully forgiven.

### Can the SBA review my loan?

At their discretion, the SBA may begin a review of any PPP loan of any size at any time. If the SBA undertakes such a review, they will notify Santander in writing and we will notify you via email within five business days of receipt. We will provide any and all documents related to the loan as requested by the SBA.

The SBA may require Santander to contact you in writing to request additional information, or the SBA may request information directly from you. Santander will provide any additional information provided by you to SBA. The SBA will consider all information provided by the borrower in response to such an inquiry. Failure to respond to the SBA's inquiry may result in a determination that the borrower was ineligible for a PPP loan or ineligible to receive the loan amount or loan forgiveness amount claimed by the borrower.

If the SBA has notified Santander that they have commenced a loan review, Santander cannot approve any application for loan forgiveness for such loan until SBA notifies us that the SBA has completed its review.

### I am looking to sell my business, how does this impact my PPP loan?

If you are planning to transfer or sell the assets, common stock or other ownership interest in your business, or to merge with or into another entity, we encourage you to review this guidance from SBA for more information on how this could impact your PPP loan. Remember that your loan agreement provides that you are required to obtain lender consent prior to a change in ownership. We stand ready to work with you to accommodate these changes to your business.

### How does my SBA EIDL loan impact my forgiveness?

The SBA's Economic Injury Disaster Loan (EIDL) Program provides financing directly from the SBA to small businesses recovering from declared disasters. The program includes an option to receive an EIDL Loan, an EIDL Advance, or both.

**EIDL Loans** have a 30-year term and require that borrowers sign a loan authorization agreement.

**EIDL Advance\*** provided to eligible EIDL applicants in amounts ranging from \$1,000-\$10,000 depending on the # of employees in the business (\$1,000 per employee up to \$10,000). It appears in eligible borrower's bank account as a direct deposit from 'SBAD TREAS 310'.

The EIDL Advance Amount received by the borrower **will not** reduce the amount of forgiveness to which the borrower is entitled and **will not** be deducted from the forgiveness payment amount that SBA remits to the Lender.

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## What to Expect During the Forgiveness Application Process

<p><b>How we will communicate</b></p>	<p>We will notify you via email when our Forgiveness Application is available and will send you reminders every other week until you request our application. Santander will continue to communicate with you via email throughout the process.</p>
<p><b>Santander's application</b></p>	<p>We will only accept Forgiveness Applications via our automated DocuSign application. We cannot accept manually completed applications. A bi-weekly email reminder will contain a link to request a Forgiveness Application. Once clicked, we will send an application via email, using DocuSign. <b>Please Note: Santander has not opted into SBA's direct borrower forgiveness process, you are still required to apply for forgiveness using our DocuSign Forgiveness Application.</b></p>
<p><b>Completing the application</b></p>	<ul style="list-style-type: none"> <li>• You will access the forgiveness application via DocuSign.</li> <li>• We will automatically send the 3508S (S-App) to borrowers with loans of \$150,000 or under</li> <li>• We will pre-populate some information about you and your loan into the application.</li> <li>• The Forgiveness Application will require you to enter business and loan information</li> <li>• The application can be submitted once all required fields are completed, and required documents uploaded. You are encouraged to save a copy of the application for your records.</li> <li>• The SBA included an optional "borrower demographic" section for program reporting purposes only. Disclosure is voluntary and will have no bearing on the loan forgiveness decision.</li> <li>• Federal law requires us to collect certain information about our customers. If we have been unable to reach you, the forgiveness application will include a questionnaire that must be completed and returned to Santander.</li> <li>• The Forgiveness Application contains a loan modification section allowing you to request a 5 year term if yours was a two-year term, at the time of the SBA's loan forgiveness determination. This only applies if the loan is not fully forgiven.</li> <li>• If a <u>Covered Individual</u> has or had a <u>Controlling Interest</u> in your business at the time of submitting your Forgiveness Application or, when your PPP loan application was submitted, Form 3508 D will be required.</li> </ul>
<p><b>What happens after I submit the application?</b></p>	<p>Your application will be assigned to a Forgiveness Team case manager for review. Financial Institutions have up to <u>60 days from receipt of a complete application</u> to submit a lender decision to the SBA, for their final decision. <i>Important: a complete set of documents clearly supporting the claimed forgiveness amounts will facilitate the review.</i></p> <p>Your case manager will contact you via email with any questions about the application or requests for additional documentation.</p> <p>We will notify you via email of our decision on your application and send it to the SBA for final review. <u>The SBA has an additional 90 days to provide a final decision</u> on request.</p> <p>After the SBA provides their final decision, we will notify you if your loan was forgiven in whole, in part, or if the request was denied. If the Loan was partially forgiven, and there is a balance remaining, we will notify you of the monthly payment amount and start date.</p> <p><i>Note: If Santander denies your Forgiveness Application in full, you will have 30 days to appeal through a request to Santander. Upon receipt, Santander must notify the SBA of your request within 5 days.</i></p>
<p><b>How will I be kept informed?</b></p>	<p>Once the application is submitted, we will send you a weekly automated Status Update to keep you informed of progress. We will notify you by email when we approve or decline the application, and if any issues with the application need to be resolved.</p>

## How you will complete the Santander Forgiveness Application

We will notify you via email that we are ready to take your Forgiveness Application. Every other week, we will send a follow-up email with gentle reminders including:

- *Forgiveness is not automatic; an application must be submitted*
- *There's no rush, because payments are deferred*
- *We have available materials to help prepare, including this Guide*

Our invitation to apply will contain a link to request a Forgiveness Application. Once clicked, we will send to the same email address a forgiveness application via DocuSign.

**If you applied for a 2<sup>nd</sup> Draw PPP Loan from Santander, we will send you an invitation to apply for forgiveness of your 2<sup>nd</sup> Draw loan 8 weeks after disbursement of 2<sup>nd</sup> Draw PPP Loan Proceeds.**

## Santander DocuSign 3508S (S-App)

For PPP loans of \$150k and under you will automatically receive our version of the SBA's 3508S (S-App). The 3508-S is simple and streamlined. We also will pre-populate much of the information about you and your loan into the application.

The screenshot shows a 'Loan Information' form with the following fields and values:

Loan Information	
Fields marked with an "*" are required	
<input checked="" type="radio"/> First Draw PPP Loan <input type="radio"/> Second Draw PPP Loan    (Select one)	
SBA PPP Loan Number*	Lender PPP Loan Number*
1234567890	12345678-90
PPP Loan Amount*	PPP Loan Disbursement Date*
\$ 50,000	06/05/2020
Based on SBA Form 3508S (01/21)	1
	Version 2.0.9

**We will automatically select 'First/Second Draw PPP Loan' and pre-fill your loan information.**

### You will need to provide...

- ✓ # of Employees at time of Loan & Forgiveness Application
- ✓ Covered Period End Date
- ✓ Amount of Loan Spent on Payroll
- ✓ Requested Forgiveness Amount (review [Borrower Responsibilities](#) section to determine your eligible forgiveness amount)
- ✓ 25% Revenue Reduction Documentation if applicable (see below)

Paycheck Protection Program  
PPP Loan Forgiveness Application Form 3508S Revised January 19, 2021 Santander®

Employees at Time of Loan Application\* 4 Employees at Time of Forgiveness Application\* 4

Did the Borrower (Together with Affiliates, if Applicable) Receive First Draw PPP Loans of \$2 Million or More or Second Draw PPP Loans of \$2 Million or More? Yes No

Covered Period\* 06/05/2020 to 08/24/2020 Amount of Loan Spent on Payroll Costs\* \$40,000

The Covered Period begins on the date the loan was originally disbursed. It ends on a date selected by the Borrower that is at least 8 weeks following the date of loan disbursement and not more than 24 weeks after the date of loan disbursement.

Are you requesting forgiveness for the full amount of your loan?  Yes  No

Request Lower Forgiveness Amount (Optional) Requested Loan Forgiveness Amount\* \$50,000

If you would like to request forgiveness for an amount lower than your full PPP loan amount, please type that amount here. Otherwise, leave this line blank.

### 25% Revenue Reduction Documentation\*

**\*Only for 2<sup>nd</sup> Draw PPP Loans if your COVID Revenue Reduction Score does not meet the minimum value and if 25% revenue reduction documentation was not provided with 2<sup>nd</sup> Draw Loan Application**

If you did not provide revenue reduction information with your 2<sup>nd</sup> Draw PPP Loan Application, you may be required to provide this information as part of your 2<sup>nd</sup> Draw Forgiveness Application. The forgiveness application sent to you will reflect whether this documentation is required.

Business Activity		For Period 2 Choose...	For Period 1 Choose...
Active all of 4 Quarters of 2019 & All 4 Quarters of 2020 (Quarter Comparison)		2019 Q1, Q2, Q3 or Q4	Same quarter in 2020
Active All of 4 Quarters of 2019 & All 4 Quarters of 2020 (Annual Comparison)		2019 Annual	2020 Annual
Only Active Q2, Q3 & Q4 of 2019 & All 4 Quarters of 2020		2019 Q2, Q3, or Q4	Same quarter in 2020
Only Active Q3 & Q4 of 2019 & All 4 Quarters of 2020		2019 Q3 or Q4	Any quarter in 2020
Only active Q4 of 2019 & all 4 Quarters of 2020		2019 Q4	Any quarter in 2020
No Activity 2019, but active all 4 Quarters of 2020		2020 Q1	2020 Q2, Q3, or Q4

Period 2 <b>Q 1 2019</b>	Period 2 Gross Receipts <b>\$ 100,000</b>	Period 2 Ref. Document Line # <b>Gross Revenue – Line 1</b>	Period 2 Upload
Period 1 <b>Q 1 2020</b>	Period 1 Gross Receipts <b>\$ 70,000</b>	Period 1 Ref. Document Line # <b>Gross Revenue – Line 1</b>	Period 1 Upload

Revenue Reduction Percentage

**30** %

Based on SBA Form 3508S (01/21) 2 Version 2.0.9

Use our [Revenue Reduction Guide](#) to complete this section in your 2<sup>nd</sup> Draw PPP Forgiveness Application. Fields in this section will fill as N/A if you are not required to complete this section.

## COVID Revenue Reduction Score

To streamline forgiveness of Second Draw PPP Loans of \$150,000 or less, SBA introduced the COVID Revenue Reduction Score (score) as an alternative form of revenue reduction confirmation. The score, developed by an independent third-party SBA contractor, uses a variety of inputs including industry, geography, business size. The score uses current data on economic recovery and return of businesses to operational status.

For loans of \$150,000 or less your DocuSign application will indicate whether revenue reduction documentation is required based on your score provided to us by the SBA. If your score meets or exceeds the value required to validate revenue reduction, revenue reduction documentation is not required. If your score does not meet the value required, and you did not provide documentation of revenue reduction at the time of your loan application, revenue reduction documentation will be required as part of your forgiveness application.

**Borrower Certifications:** Similar to your original PPP Application you will be required to initial Forgiveness Borrower Certifications included in the application. It is essential that you initial next to every certification statement as well as sign the document to submit via DocuSign.

## Additional Resources

Depending on your question, please leverage the resources listed below. As a reminder you are encouraged to contact your CPA or Tax Advisor with specific questions related to your Business and completing the PPP Forgiveness Application.

- [Small Business Administration PPP Loan website](#)
- [US Treasury website](#)
- [DocuSign support](#)

## Appendix A | Borrower Responsibilities

The Borrower must comply with all requirements in the Paycheck Protection Program Rules (Sections 7(a)(36), 7(a)(37), and 7A of the Small Business Act, the PPP interim final rules, and SBA guidance issued through the date of this application), and must attest to its compliance on the Loan Forgiveness Application. Those requirements include the following:

Requested Loan Forgiveness Amount (which may not exceed the principal amount of the PPP loan):

- must have been used by the Borrower to pay business costs that are eligible for forgiveness (payroll costs to retain employees, business mortgage interest payments, business rent or lease payments, business utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, or covered worker protection expenditures) during the Covered Period;
- must include payroll costs equal to at least 60% of the Requested Loan Forgiveness Amount;
- for any owner-employee (with an ownership stake of 5% or more) or self-employed individual/general partner, must not exceed 2.5 months' worth of compensation received during the year used to calculate the PPP loan amount, capped at \$20,833 per individual in total across all businesses; and
- for loans of more than \$50,000 and loan of \$50,000 or less to Borrowers that together with their affiliates received First Draw PPP Loans totaling \$2 million or more or Second Draw PPP Loans totaling \$2 million or more, must meet the requirements of either (A) or (B): (A) is not subject to reductions because the Borrower did not reduce annual salaries or hourly wages of any employee by more than 25 percent during the Covered Period compared to the most recent full quarter before the Covered Period and either (1) the Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period or (2) the Borrower was unable to operate during 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 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 of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19, or (B) the Borrower has included any required reductions as described in SBA Form 3508 and its instructions.
- The Borrower must accurately calculate the Requested Loan Forgiveness Amount and verify the payments for the eligible costs included in it.
- If the loan forgiveness application is being submitted for a Second Draw PPP Loan, the borrower must submit or have already submitted all required revenue reduction documentation and have used all First Draw PPP Loan amounts on eligible expenses prior to disbursement of the Second Draw PPP Loan.

If the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

## Appendix B | Document Retention Requirement

**Documents that each borrower is required to retain, but not submit with the forgiveness application (This list is also included in your forgiveness application.)**

**Payroll:** Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period consisting of each of the following:

- a) Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- b) Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period:
  - i. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
  - ii. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- c) Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee group health, life, disability, vision or dental insurance and retirement plans that the Borrower included in the Requested Loan Forgiveness Amount.

**Nonpayroll:** For categories a-c, documentation verifying existence of the obligations/services prior to February 15, 2020 and, for all categories, eligible payments from the Covered Period.

- a) Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
- b) Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
- c) Business utility payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
- d) Covered operations expenditures: Copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
- e) Covered property damage costs: Copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments, and documentation that the costs were related to property damage and vandalism or looting due to public disturbances that occurred during 2020 and such costs were not covered by insurance or other compensation.
- f) Covered supplier costs: Copy of contracts, orders, or purchase orders in effect at any time before the Covered Period (except for perishable goods), copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.
- g) Covered worker protection expenditures: Copy of invoices, orders, or purchase orders paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments, and documentation that the expenditures were used by the Borrower to comply with applicable COVID-19 guidance during the Covered Period.

**Last Updated:** August 10, 2021

The information contained herein does not reflect any guidance, rules or law issued after the "Last Updated" date. Please refer to <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program> for the most up-to-date information.

**Other Records:** All records relating to the Borrower's PPP loan, including documentation submitted with its PPP loan application, documentation supporting the Borrower's certifications as to its eligibility for a PPP loan (including the Borrower's gross receipt reduction certification for a Second Draw PPP Loan, if applicable), documentation necessary to support the Borrower's loan forgiveness application, and documentation demonstrating the Borrower's material compliance with PPP requirements.

**Records Retention Requirement:** The Borrower must retain all employment records/payroll documentation in its files for four years and all other documentation for three years after the date the loan forgiveness application is submitted to the lender, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request. The Borrower must provide documentation independently to a lender to satisfy relevant Federal, State, local or other statutory or regulatory requirements or in connection with an SBA loan review or audit.



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