

Frequently Asked Questions

Paycheck Protection Program (PPP) Loan Forgiveness

Q. What is loan forgiveness?

Loan forgiveness means that you have met the necessary criteria and are no longer responsible for paying back the full principal amount of the loan or accrued interest.

Q. What are the criteria for forgiveness for the SBA's PPP loan?

As of June 5, 2020, the SBA will require documentation that the money you have been lent be used in the following ways to qualify for forgiveness:

- Sixty percent (60%) of PPP loan proceeds have been used to cover payroll costs.
 - The deadline to rehire laid-off and furloughed employees is December 31, 2020
 - The borrower must spend at least 60% of the funds on payroll expenses or forgiveness or loan forgiveness will be reduced
- Forty percent (40%) of PPP loan proceeds have been used for non-payroll costs, such as:
 - Payments of interest on mortgage obligations instituted before February 15, 2020
 - Rent payments on leases dated before February 15, 2020
 - Utility payments under service agreements dated before February 15, 2020

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

There are two new exceptions allowing borrowers to achieve full PPP loan forgiveness even if they don't fully restore their workforce. Previous guidance already allowed borrowers to exclude from those calculations employees who turned down good faith offers to be rehired at the same hours and wages as before the pandemic. The new bill allows you to adjust because you could not find qualified employees or were unable to restore business operations to Feb. 15, 2020, levels due to COVID-19 related operating restrictions.

Q: What if my business uses the funds for different needs than those outlined?

If the funds you received from the loan re used for unauthorized purposes, the SBA will require you to pay back the money.

Q: How much time does my business have to use the funds?

To be eligible for forgiveness, the funds must be spent, using the defined criteria, within 24 weeks of the funds being disbursed to you (receiving the money). However, this period may not extend beyond December 31, 2020. The loan matures in five (5) years from your closing date if your loan was originated after June 5. If in advance of June 5, your loan matures in two (2) years or at the discretion of HNB.

Q: How will my eligibility for forgiveness be determined?

The Honesdale National Bank (HNB) will have sole and absolute discretion under the SBA to evaluate eligibility for forgiveness based upon the attested accuracy and completeness of the required documentation provided by the borrower.

Q: What documentation will I need to supply to prove eligibility for forgiveness?

You must complete the required [SBA Forgiveness Application Form](#) and submit to HNB for review.

The following documents must also be provided to HNB for review:

- Copies of payroll tax reports file with the IRS (including Forms 941, 940, state income and unemployment tax filing reports) for the 24 week period following the disbursement of the loan.
- Copies of payroll reports for each pay period for the 8 week period following the disbursement of the loan. Gross wages including PTO (which might include vacation, sick and other PTO) should be reflected.
- Documentation reflecting the health insurance premiums paid by the company under a group health plan including owners of the company for the 24 week period following the disbursement of the loan should be provided. Copies of the monthly invoices should suffice.
- Documentation of all retirement plan funding by the employer for the 24 weeks following the disbursement of the loan should be sufficient. Copies of work papers, schedules and remittances of the retirement plan administrator should be available.
- Copies of all lease agreements for real estate and tangible personal property should be presented along with proof of payment during the 24 week period following the loan origination date.
- Copies of all statement of interest paid on debt obligations incurred prior to February 15, 2020, indicating payment amounts and proof of payment for the 24 week period following the disbursement of the loan.
- Copies of canceled checks, statements or other evidence of utilities paid during the “covered period” for the 24 week period following the disbursement of the loan.
- Any and all additional documentation required by HNB to support and document the use of the proceeds of the loan.

Q: By when do I need to provide the documentation to HNB for forgiveness consideration?

The deadline to apply for forgiveness of your PPP loan is December 31, 2020.

Q: How do I submit my documentation to HNB?

More information will be provided on the submission process of your documentation. However, at this time we are recommending your collection and maintenance of electronic copies of all supporting materials.

Q: When will I know if my loan has been forgiven?

Your HNB lender will notify you upon confirmation with the SBA that your PPP loan obligation has been forgiven.

Q: What if I also have an Economic Injury Disaster Loan with the SBA?

If you received an advance of up to \$10,000 on an Economic Injury Disaster Loan, the advance will be deducted from the forgiveness amount of your PPP loan.