



## **IMPORTANT INFORMATION ABOUT PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS**

Thank you for working with United Southern Bank to obtain your Paycheck Protection Program loan. The program has been very successful in helping businesses and employees that are affected by the COVID-19 pandemic. Please use this information to plan for your use of the loan proceeds.

- **You must be able to document that the funds were spent during the eight weeks after you closed the loan.**
- **Your loan payments are deferred for six months from the date of closing.**
- **At the end of the eight week period after closing, you may contact the bank to request loan forgiveness.**
- **The SBA has established requirements to qualify and funds used for purposes other than those stated below may not be forgiven and could remain a loan that will have to be repaid.**

**Loan Forgiveness can be up to the full principal amount of the loan plus accrued interest if the loan funds are spent on the following:**

- A. payroll costs including salary, wages, and tips, up to \$100,000 of annualized pay per employee (for eight weeks, a maximum of \$15,385 per individual),
- B. covered benefits for employees, including health care expenses, retirement contributions and state taxes imposed on employee payroll paid by the employer (such as unemployment insurance premiums),
- C. payments of interest on mortgage obligations on real or personal property incurred before February 15, 2020,
- D. rent payments on lease agreements in force before February 15, 2020 and,
- E. utility payments under the service agreements dated before February 15, 2020.

**To calculate the amount that will be eligible for forgiveness -**

**For businesses with employees:**

- Calculate your total payroll costs (the sum of A and B above) for the eight weeks following loan closing. Exclude any amounts of annualized salaries over \$100,000. This total must be a minimum of 75% of your PPP loan proceeds for the loan to be forgiven.
- Contact your payroll processor to ensure the estimated payroll is being paid with PPP funds.
- Make sure the number of employees on the application matches (or will match) the number of employees at the end of the eight-week period. Any reduction in the number of employees may decrease the amount available for forgiveness.
- Estimate your business rent, mortgage interest and utility payments (the sum of C, D and E) that may be used for forgiveness. This total cannot be more than 25% of your loan amount.
- Track how you spend your PPP funds and be able to link them back to qualified spending.

**For business with no employees - Independent Contractors/Self-Employed/Sole Proprietors:**

- Review Schedule C, Line 31 submitted with your application.
- Divide this amount by 52 and multiply by 8 to determine eight weeks of payroll – this is the minimum that you should pay yourself to qualify.
- The balance of the funds may also be used for payroll or any of the qualifying expenses in item B, C, D and E from above. These same expenses should have been claimed on the Schedule C submitted with your application.

You are encouraged to contact your United Southern Bank lender at or near the end of the eight-week period to determine your eligibility for loan forgiveness. We are still awaiting more information from SBA but in the meantime, please contact your USB lender with any questions.

**When you apply for forgiveness, you will need to document your claim. Here are some forms of acceptable information to support your request:**

For proof of payroll expense:

- Form 941 from Q2 2020 to show the payroll expense and number of employees. In many cases this will not be ready until July 15.
- Copies of third-party payroll reports
- Copies of checks written for payroll
- Copies of benefits statements, retirement contributions, proof of insurance payments, etc.

For proof of allowed expenses:

- Copies of checks for utilities or rent
- Copies of bank statements if payments are made via online payment
- If you are claiming mortgage interest, you will need a copy of billing statement to verify the breakout of principal and interest

**This list is not exhaustive, and the requirements could change as new guidance comes out. Ultimately SBA guidance will dictate what is required to document forgiveness.**

