

BANKING & FINANCE LAW ALERT

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SBA issues two more borrower-friendly PPP forgiveness application

On June 17, 2020, the Small Business Administration (SBA) issued two new borrower-friendly Paycheck Protection Program (PPP) forgiveness applications: the [EZ Application](#) and a [revised Forgiveness Application](#). The changes come in response to the recent passage of the [Paycheck Protection Program Flexibility Act](#), as well as pressure to simplify the forgiveness process for borrowers. Both applications are intended to be much simpler than the original 11-page Forgiveness Application, which we broke down in an [earlier law alert](#).

The three-page EZ Forgiveness Application (Form 3508 EZ) is intended to simplify the forgiveness application process for certain borrowers. The EZ Application is available to borrowers that qualify under one of the following three options:

- Are self-employed and have no employees;
- Did not reduce the salaries or wages of their employees by more than 25% and did not reduce the number or hours of their employees; or
- Experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%.

Because the EZ Application is only available to select borrowers, the EZ Application does not include any calculations for forgiveness reduction related to reducing the number of employees or cutting salaries.

The revised Forgiveness Application was shortened from 11 to five pages. The new application is much shorter partly because the new application removes a few pages of instructions. Many of the substantive changes in the revised Forgiveness Application are to incorporate the [PPP Flexibility Act](#). For example, the application incorporates the Act's reduction in the

payroll cost requirement from 75% to 60%, meaning in order to achieve full forgiveness, a borrower now only needs to spend 60% of its PPP loan on payroll costs. The revised Forgiveness Application also adds a new full-time equivalent (FTE) reduction safe harbor for borrowers whose business activity was affected by health regulations related to COVID-19. Borrowers who were unable to operate between Feb. 15, 2020, and the end of the covered period at the same level of business activity as before Feb. 15, 2020 due to compliance with health and safety requirements related to COVID-19 will not have their forgiveness reduced even if they had a reduction in number of employees. Additionally, safe harbors to forgiveness reduction for restoring salary or employee reductions (if applicable) can be taken advantage of on the date the loan forgiveness application is submitted, so borrowers don't have to wait until Dec. 31, 2020 (previously June 30, 2020) to apply for forgiveness to use these safe harbors.

Borrowers should find these two new applications much simpler than the original 11-page application. If Borrowers have questions about which application to use or otherwise how to fill out the application, contact [Jack Beeler](#), [Jack Meadows](#), [Cassandra Rice](#) or any member of Porter Wright's [Banking & Finance practice group](#).