

June 19, 2020

This message is to inform our Paycheck Protection Program (PPP) Borrowers of new forgiveness application forms released by the Department of Treasury and the Small Business Association (SBA) and to remind Borrowers of important PPP Flexibility rule changes.

On June 17, 2020, the SBA posted a revised PPP forgiveness application to conform with the PPP Flexibility Act forgiveness rule changes that became effective on June 5. SBA also published a new EZ version of the forgiveness application for borrowers who meet ONE of these three criteria:

- Self-employed, independent contractor or sole proprietor with no employees; **OR**
- Did not reduce annual salary or hourly wages of any employee* by more than 25% during their covered forgiveness period **AND** did not reduce* their number of employees or the average paid hours of employees between 1/1/20 and the end of their PPP covered period; **OR**
- Did not reduce annual salary or hourly wages of any employee* by more than 25% during their covered forgiveness period **AND** experienced reductions in business activity due to health directives related to COVID-19.

**Some exceptions may apply.*

To help our Borrowers determine whether they may apply with the EZ form, we provide this simple [questionnaire](#) on our [PPP Resource Center](#). Forgiveness application forms and instructions are published [HERE](#).

Borrowers who received their loans prior to June 5 are strongly encouraged to utilize the extended 24 week covered period for forgiveness and apply for forgiveness after the 24 week covered period expires.

Borrowers who received their loans after June 5 MUST utilize the 24 week covered period and may not apply for forgiveness until the expiration of their covered period.

Borrowers who received their loans prior to June 5 **MAY CHOOSE TO** utilize their original 8 week covered period and apply for forgiveness upon expiration of the 8 week covered period. NSB will accept these forgiveness applications but is currently unable to process them. At this time the SBA has not yet implemented a forgiveness application processing system or provided lender instructions for processing forgiveness applications.

On June 5, 2020, The PPP Flexibility Act was signed into law, providing relief from some PPP restrictions. Please be aware of the following changes, and note that recent SBA guidance has altered some information we provided in our previous message to PPP Borrowers:

- For PPP loans received after 6/5, the loans must have a **minimum maturity of 5 years**. For PPP loans received prior to 6/5, maturity terms may be changed to conform with this new requirement if both Borrower and Lender agree to do so. NSB will honor requests to extend loan maturity to 5 years after the loan forgiveness amount has been determined.
- The **forgiveness covered period, during which loan funds may be applied for allowed purposes, is extended from 8 weeks to 24 weeks**. The covered period ends 24 weeks from loan origination or 12/31/2020, whichever comes first. Borrowers who received their loans prior to June 5 may choose to keep their original 8 week forgiveness period.
- **To receive forgiveness, no more than 40% of the forgiven amount may be for non-payroll costs (change from the previous 25% rule).**
- The 6 month payment deferment period no longer applies. Payments are now **deferred until the date NSB receives compensation from the SBA for any forgiven amount on your loan**. Borrowers who do not apply for forgiveness have 10 months from the expiration of their forgiveness covered period to begin making payments.
- **Borrowers have until 12/31/2020 to rehire or eliminate a reduction in** employment, salary, or wages that would otherwise reduce forgiven amounts. Forgiven amounts will be calculated without regard to a reduction in the number of employee reductions if the Borrower is:
 - unable to rehire former employees **and** unable to hire similarly qualified employees; **or**
 - unable to return to the same level of business activity due to compliance with federal COVID-19 requirements or guidance.
- Borrowers who have PPP indebtedness forgiven are now eligible to defer their payroll tax payments.

PPP loan amount calculation rules HAVE NOT CHANGED. The basic calculation remains AVERAGE MONTHLY PAYROLL X 2.5. Borrowers now have a 24 week covered period in which to utilize their loan proceeds for allowed purposes.

The SBA is not allowing changes to existing loan amounts for Borrowers who claim they relied, to their detriment, upon PPP rules in effect when they calculated their loan amount.

We appreciate you choosing NSB for your banking needs.

Sincerely,

The NSB Commercial Banking Team

