



Paycheck Protection Program Loan Forgiveness Guide

The purpose of this guide is to prepare you to submit the necessary documentation to Pursuit in order to be eligible for the maximum loan forgiveness for your Paycheck Protection Program Loan ("PPP"). The Borrower is eligible for loan forgiveness equal to the amount the Borrower spends on the following items during the **24-week period beginning the day you receive the funds** from your PPP loan.

SBA states that further guidance will be provided regarding the loan forgiveness process and documentation requirements. Furthermore, on June 4, 2020 Congress passed the Paycheck Protection Program Flexibility Act of 2020 and we are expecting additional changes to be announced. The following is based on current regulations in place.

Please note that Pursuit cannot provide business management advice to PPP borrowers. We recommend you speak with your accountant, business advisor, or seek assistance from a [Small Business Development Center](#). We also recommend you keep adequate records regarding the forgivable expenses below as they will need to be submitted to SBA for loan forgiveness.

What expenses are eligible for loan forgiveness?

The following expenses are eligible to be included in the loan forgiveness calculation. For more details on this aspect of the loan forgiveness calculation, please review the [SBA Interim Final Rule released April 2, 2020](#).

- Payroll costs (**must be at least 60% of the loan forgiveness**)
 - Salary, wages, commissions, or other similar compensation
 - Payment of cash tip or equivalent
 - Payment for vacation, parental, family, medical, or sick leave
 - Allowance for dismissal or separation
 - Payment of group healthcare benefits including insurance premiums
 - Payment of any retirement benefit
 - Payment of state and/or local tax assessed on the compensation of the employee
 - **Not included:** compensation to an individual employee in excess of \$100,000; federal payroll taxes; compensation of an employee whose principal place of residence is outside the United States; sick leave or family leave under the Families First Coronavirus Response Act
- Mortgage interest on obligations incurred before February 15, 2020
- Rent payments under lease agreements in force before February 15, 2020
- Utilities service began before February 15, 2020 (electricity, gas, water, transportation, telephone and/or internet)
- Refinance your SBA Economic Injury Disaster Loan

For self-employed owners or independent contractors, loan forgiveness can include an "owner compensation replacement" which is defined as eight weeks' worth (8/52) of the 2019 net profit. For more details on this aspect of the loan forgiveness calculation, please review the [SBA Interim Final Rule released April 14, 2020](#).

What could impact loan forgiveness?

- **Reduction in number of employees**
 - Loan forgiveness will be reduced if there is a reduction in the number of employees. The amount of reduction is based on the ratio of the average number of full-time equivalent employees per month for the eight weeks following loan origination compared to either (i) the average number of full-time equivalent employees per month from February 15, 2019 to June 30, 2019; or (ii) the average number of full-time equivalent employees per month from January 1, 2020 to February 29, 2020.
- **Reduction in salaries**
 - Loan forgiveness will be reduced if there is a reduction of greater than 25% in wages paid to employees. The amount of reduction is based on the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.
- **Restoring employees and/or wages**
 - Reduction in employment or wages that occur during the period beginning on February 15, 2020 and ending April 26, 2020 (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness if by December 31, 2020 the borrower eliminates the reduction in employees or reduction in wages.
- **Failing to allocate at least 60% to payroll costs**
 - The program requires that 60% of loan proceeds and loan forgiveness amounts be allocated towards payroll. Loan forgiveness will be reduced if the proceeds are not allocated in this fashion.

Required documentation for loan forgiveness

You must keep detailed documentation regarding payroll, rent, utilities and mortgage interest costs. We also recommend that you keep a spreadsheet with these expenditures as this may be helpful when submitting for loan forgiveness.

To assist you with keeping the required documentation for loan forgiveness, Pursuit will create a unique folder for you in Sharefile, a secure document upload service, where you will upload documents related to your loan forgiveness. You will receive periodic email reminders to upload documents.

Unfortunately, SBA has not provided specific information regarding the process or documentation requirements for loan forgiveness. Our hope is that these reminders will help the business keep track of all expenses and maximize their loan forgiveness.

Please note that Pursuit will not calculate your loan forgiveness figure or conduct any verification of the documents submitted. The loan forgiveness calculation and documentation are solely the borrower's responsibility.

Please add Pursuit (paycheckprotection@pursuitlending.com) to your 'safe senders' list and address book to ensure that important communication does not get caught in your junk/spam folder.

For specific questions regarding loan forgiveness, please email loanforgiveness@pursuitlending.com.