

BORROWERS DELAY PURSUING PPP LOAN FORGIVENESS - 8/25/2020

Many recipients of Paycheck Protection Program loans are holding off on seeking loan forgiveness in hopes Washington will make the application process easier or automatically convert the smallest loans to grants.

Banks, credit unions and other private lenders who made the PPP loans are urging borrowers to adopt a wait-and-see approach. Borrowers aren't facing a tight deadline and won't incur interest if they delay in submitting the forgiveness application, the lenders said.

The U.S. SBA, which oversees the PPP, began accepting applications on Aug. 10.

Proposals in Congress would remove the forgiveness application requirement for small businesses and nonprofits with loans under \$150,000, which is most borrowers. Instead, borrowers would "attest" to their good-faith effort to comply with the loan rules, notably using at least 60% of the money for payroll expenses. The SBA could review and audit the attestation to "ensure against fraud," one Senate bill reads.

Borrowers of \$150,000 to \$2 million would no longer have to submit payroll sheets and other documents showing how the money was spent but simply certify that the records exist and keep them for three years, the Senate bill reads. No changes have been proposed for the forgiveness of the largest loans: \$2 million to \$10 million. Newsday received a \$10 million loan in April.

"We're holding off for now," said Peter D. Andreasian, president of a Great Neck company that manages two commercial buildings. "I know things are a little bit in flux and things might change."

Andreasian Property Management Corp. received a PPP loan of under \$15,000 in mid-May from Citibank. He said the funds were used to pay the salaries of three employees for two months.

"We followed the rules, I expect the loan will be forgiven," Andreasian said.

Only 7% of borrowers have submitted PPP forgiveness applications so far, according to a national poll on Aug. 17-18 of 562 members of the small-business advocacy group National Federation of Independent Business.

Lenders generally are discouraging borrowers from filing applications. Some banks are still developing online portals to accept applications and then file them to the SBA.

"We're not taking applications at this time because we truly believe there's going to be some very short-form process for loans of under \$150,000" to be forgiven, said Kevin O'Connor, president and CEO of BNB Bank in Bridgehampton, adding most of its 4,000 PPP loans are in the small category.

"Right now, there is no urgency for borrowers to rush into [the forgiveness process] because I only see it potentially getting better for them," he said. "There may be the possibility of getting a little bit more money. Let's wait and see what comes out of Washington."

BNB ranked No. 5 in terms of PPP loans made between April 3 and June 30 in the four congressional districts that encompass most of Long Island, or 3,522 loans, according to a Newsday analysis of SBA data.

JPMorganChase had the most loans in the period, 15,028, followed by TD Bank with 6,392 loans; Bank of America, 5,630, and Citibank, 3,750, the analysis shows.

Chase supports “automatic forgiveness of loans of less than \$150,000, which would account for the vast majority of our loans — 90%,” said bank spokeswoman Carolyn Evert. But “we’re not waiting for the legislation because we know our customers want to get started applying for forgiveness...We’re actively building and testing our digital application” in order to begin “accepting online requests in the coming weeks,” she said.

TD Bank also is building an online portal

TD Bank also is building an online portal for PPP loan forgiveness applications as it monitors developments on Capitol Hill, according to Andrew Bregenzer, president of the bank’s metropolitan area operations. Credit: TD Bank

TD Bank also is building an online portal while it monitors developments on Capitol Hill, according to Andrew Bregenzer, president of the bank’s metropolitan area operations. “We suggest borrowers consult with their accountant, legal or financial adviser to assist them in determining when it is best for them to apply,” he said.

If Congress makes no changes to the PPP, borrowers will use one of three applications:

- * SBA Form 3508, which is five pages and may be found at [nwsdy.li/3508](https://www.nwsdy.li/3508);
- * SBA Form 3508EZ, which is three pages and may be found at [nwsdy.li/3508EZ](https://www.nwsdy.li/3508EZ) or
- * an equivalent application from the lender.

Forgiveness applications should be submitted to the lender, not the SBA. Lenders have 60 days to decide how much of the loan is forgivable and inform SBA. The agency then has 90 days to review the application and adopt or reject the lender’s decision, according to SBA procedures issued last month.

Borrowers must submit a forgiveness application within 10 months of exhausting the loan funds and by Dec. 31. The loan portion that isn’t forgiven carries a 1% interest rate and five-year term.

“There has been a steady flow of forgiveness applications submitted electronically to the agency by lenders,” said Matt Coleman, a spokesman for SBA’s Region II, which includes New York State.

Still, 40% of borrowers don’t fully understand how to apply for PPP loan forgiveness, according to a survey by Fundera Inc., a loan marketplace in Manhattan.

At BNB Bank in Bridgehampton, director of SBA lending Michael D. Ogus said, “The documentation requirements under the forgiveness plan are very cumbersome” for small borrowers.

“If the legislation [in Congress] goes through as we expect, you’re going to sign a one-page certification saying you used the money as you should’ve,” he said. “You don’t have to go to your CPA or payroll company to get the backup documentation. That burden and extra cost will be taken off Main Street businesses.”

Source: Written by James T. Madore for [Newsday.com](https://www.newsday.com)