

# SBA SPEEDS UP PPP LOAN FORGIVENESS PROCESS



The U.S. Small Business Administration (SBA) has published new guidance to simplify and speed up the forgiveness process for Paycheck Protection Program (PPP) loans of \$150,000 or less. In their 29-page [interim final rule](#) (IFR), the SBA is introducing a *COVID Revenue Reduction Score* that can be used at the time of forgiveness to document the required revenue reduction for second-draw PPP loans, and an online portal where PPP borrowers can directly apply for forgiveness on loans of \$150,000 or less without going through their bank. Loans of \$150,000 or less account for 93% of outstanding PPP loans, the SBA said.

The SBA said it has heard concerns from PPP lenders of all sizes that the requirement for borrowers to submit and lenders to review revenue reduction documentation at the time of forgiveness is delaying the forgiveness process for second-draw PPP loans of \$150,000 or less. Despite earlier moves to streamline the forgiveness process, many smaller PPP lenders struggled due to a lack of technology and manpower to develop efficient electronic loan forgiveness platforms to process applications.

The online portal aims to speed relief to more than 6.5 million small businesses that took out PPP loans to get them through the pandemic. More than 600 banks have agreed to allow access to the portal for more than 2.17 million borrowers. In

addition, the IFR extends the loan deferment period for PPP loans in cases when the borrower files a timely appeal of a final SBA loan review decision.

We've provided additional details on these key changes below.

## **COVID Revenue Reduction Score**

To streamline forgiveness of second-draw PPP Loans of \$150,000 or less where the borrower did not submit documentation of revenue reduction at the time of the loan application, the SBA will offer an alternative form of revenue reduction confirmation.

Each second-draw PPP loan of \$150,000 or less will be assigned a *COVID Revenue Reduction Score* created by an independent, third-party SBA contractor, based on a variety of inputs, including industry, geography and business size, and current economic data on the economic recovery and return of businesses to operational status.

The score will be maintained in the SBA's loan forgiveness platform and will be visible to lenders to use as an alternative to document revenue reduction. The score will be visible to those borrowers that submit their loan forgiveness applications through the platform using the direct borrower forgiveness process described in the next section.

When the score meets or exceeds the value required for validation of the borrower's revenue reduction, the use of the score will satisfy the requirement for the borrower to document revenue reduction. When the score does not meet the value required for validation of the borrower's revenue reduction, and if the borrower has not already provided documentation to the lender that validates the borrower's revenue reduction, the borrower must provide documentation either directly to the lender (for those lenders that do not opt-in to the direct borrower forgiveness process) or provide documentation to the lender by uploading it to the platform.

## **Direct Borrower Forgiveness Online Portal**

The SBA's new direct forgiveness process provides PPP lenders with an optional

technology solution that essentially will allow their borrowers to apply for loan forgiveness directly to the SBA through the new portal.

When a PPP lender opts-in to the direct borrower forgiveness process, the new portal will provide a single secure location that integrates with the SBA's PPP platform and allows borrowers with loans of \$150,000 or less to apply for loan forgiveness using an electronic equivalent of SBA Form 3508S. Upon receipt of notice that a borrower has applied for forgiveness through the platform, lenders will review the loan forgiveness application and issue a forgiveness decision to the SBA inside the platform.

The portal will begin accepting applications from borrowers on Aug. 4. However, lenders need to opt-in to the program to allow the SBA to provide direct forgiveness to borrowers. Lenders can opt-in at <https://directforgiveness.sba.gov>. The SBA has also enlisted a PPP customer service team to answer questions and directly assist borrowers with their forgiveness applications. Borrowers who need help or have questions can call (877) 552-2692, Monday – Friday, 8 a.m. - 8 p.m. EST.

The SBA said the new forgiveness process will provide lenders with reduced costs, increased efficiency, and more timely remittance of forgiveness payments from the SBA, while borrowers will benefit from the ability to submit loan forgiveness applications directly through the platform and reduce the wait time and uncertainty associated with submission through their lender.

The SBA plans to release further guidance for both changes soon.

After the launch of the direct borrower forgiveness process, borrowers should continue to submit loan forgiveness applications to their lenders, rather than through the platform, under the following circumstances:

- The PPP lender does not opt in to use the direct borrower forgiveness process;
- The borrower's PPP loan amount is greater than \$150,000;
- The borrower does not agree with the data as provided by the SBA system of record, or cannot validate their identity in the platform (for example, if there is an unreported change of ownership); or

- For any other reason where the platform rejects the borrower's submission.

The PPP provided more than 11.7 million forgivable loans totaling nearly \$800 billion to small businesses and other eligible entities hurt by the economic impacts of the COVID-19 pandemic. Almost \$400 billion has been forgiven.

BMF Advisors stand ready to help you navigate all the components of PPP loans, applications and forgiveness.