

NIESAR & VESTAL LLP

Law Alert

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The SBA clarifies the deadline for borrowers to apply for PPP loan forgiveness

The U.S. Small Business Administration (SBA) has recently released [guidance](#) confirming that Paycheck Protection Program (PPP) loan forgiveness applications are not due on October 31, 2020.

A confusion arose from the PPP loan forgiveness application forms (3508, 3508EZ, and 3508S), which indicate an expiration date of “10/31/2020” in the upper-right corner. This induced the SBA to release a new entry in its recent [guidance](#), answering the query, “Is October 31, 2020 the deadline for borrowers to apply for forgiveness?”

In its answer, found in Q&A No. 4 in the General Loan Forgiveness Frequently Asked Questions section, the SBA clarified that the expiration date in the upper-right corner of the posted PPP loan forgiveness application forms is displayed for purposes of SBA’s compliance with the Paperwork Reduction Act, and reflects the temporary expiration date for approved use of the forms. This date will be extended, and when approved, the same forms with the new expiration date will be posted.

Regarding the deadline for borrowers to apply for forgiveness, the SBA explained that borrowers may submit a loan forgiveness application any time before the maturity date of the loan, which is either two or five years from the loan’s origination, depending on the borrower’s agreement.

However, that does not mean that borrowers do not have to pay during the two-year or five-year term. The SBA reminded borrowers that loan payments are deferred only until 10 months after the last day of each borrower’s loan forgiveness covered period. For example, a borrower with a covered period that ends October 30, 2020, has until August 30, 2021, to apply for forgiveness before loan repayment begins. Therefore, if the borrower does not apply for loan forgiveness within 10 months after the last day of the covered period, or if the SBA determines that the loan is not eligible for forgiveness, the payments on the PPP loan are no longer deferred and the borrower must begin paying principal and interest.

If you have any questions regarding the recently release guidance and/or regarding the PPP Loan Forgiveness process, please feel free to contact Gerald Niesar (gniesar@nvlawllp.com) or Carolina aricu (caricu@nvlawllp.com).

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