



Fayette Savings Bank

P.O. Box M

La Grange, TX 78945

### **Paycheck Protection Program: Preparing for Loan Forgiveness**

Dear Customer:

Thank you for choosing Fayette Savings Bank to process and service your Paycheck Protection Program loan! We are proud to be able to assist you and our community during this difficult time.

Obtaining the loan is just the first step - while some outstanding questions remain when it comes to the loan forgiveness process, Congress recently clarified some of these in the Paycheck Protection Program Flexibility Act which it passed on June 5, 2020. Below we've included some new changes based on the PPP Flexibility Act and how you should go about submitting your loan forgiveness application to Fayette Savings Bank.

#### **What is my loan forgiveness period?**

##### If your loan was made on or after June 5, 2020:

Your loan forgiveness period is 24 weeks after your loan was disbursed or December 31, 2020, whichever of the two is earlier.

##### If your loan was made before June 5, 2020:

You may choose between an 8-week or 24-week loan forgiveness period. If you do not give us notice of your preference, your loan forgiveness period will be 24 weeks after loan disbursement or December 31, 2020, whichever is earlier.

#### **What can I use my PPP loan funds for?**

Only the following uses of loan funds are eligible for forgiveness:

- Payroll—salary, wage, vacation, parental, family, medical or sick leave, health benefits;
- Business Mortgage interest—as long as the mortgage was signed before February 15, 2020;

- Business Rent —as long as the agreement was in effect before February 15, 2020; and
- Business Utilities—as long as service began before February 15, 2020.

For full loan forgiveness, at least 60% of loan proceeds must be used for payroll costs. This means that no more than 40% of loan proceeds may be used for the other three purposes—business mortgage interest, business rent, and business utilities.

### How do I submit my loan forgiveness application?

A successful forgiveness application is going to require good recordkeeping and bookkeeping in order to maximize your loan forgiveness amount. Keep diligent track of all eligible expenses and their accompanying documentation for your covered forgiveness period. We recommend that you contact your tax advisor, legal counsel, and/or bookkeeping service to assist your business if necessary.

Based on your PPP loan application, Fayette Savings Bank believes you may be eligible to complete the new Form 3508EZ for your loan forgiveness; however, please review the qualifications here: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses> If you do qualify for the Form 3508EZ, submit all of the following (as applicable) to Fayette Savings Bank so that we can begin processing your loan forgiveness application:

1. Loan Forgiveness Application (SBA Form 3508EZ)
2. Payroll documentation—Documents verifying eligible cash compensation and non-cash benefits consisting of the following:
  - Payroll reports or account statements documenting the cash compensation paid to employees;
  - Payroll tax filings (typically IRS Form 941);
  - Income, payroll, and unemployment insurance filings to your State; and
  - Receipts, cancelled checks, or statements for any employer contributions to employee health insurance and retirement plans that you included in PPP Schedule A, lines 6 and 7.
  - If applicable, the average number of full-time equivalent employees on payroll on January 1, 2020 and at the end of the Covered Period.
3. Nonpayroll documentation—Documents verifying that the following items existed prior to February 15, 2020 and that eligible payments were made during the covered forgiveness period. Payments can be documented using receipts, cancelled checks, and/or account statements.
  - a. Business Mortgage interest—copy of lender amortization schedule and payment documentation during covered period.
  - b. Business Rent —copy of current lease agreement and payment documentation during covered period.

- c. Business Utilities——copy of invoices from February 2020 and those paid during the covered period, and payment documentation from the covered period.

**NOTE:** You must retain all other PPP documentation in your files for six (6) years after the date the loan is forgiven or repaid in full, and allow authorized representatives of SBA or the Office of Inspector General to access these files upon request.

Once we receive your completed Loan Forgiveness Application and supporting documentation, Fayette Savings Bank will thoroughly review them under the existing laws, regulations, and guidance. Once we receive and review the documentation, we will submit to the SBA to determine whether the loan will be 100% forgiven or subject to partial forgiveness. Once the SBA has given us a final decision, we will inform you of the decision. Keep in mind, the SBA may begin an audit of any PPP loan of any size at any time, subject to its own sole discretion.

Any outstanding balance on your PPP loan which is not forgiven will continue to accrue interest at 1% for the remainder of the loan term. There is no prepayment penalty and you can pay off that outstanding balance at any time without incurring any additional fees. Please refer to your PPP Loan Note for additional terms and conditions.

For additional details on these items, please refer to the U.S. Department of the Treasury's "CARES Act Assistance for Small Businesses" webpage here:

<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses> and U.S. Small Business Administration's "Paycheck Protection Program" webpage here:  
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>. Further guidance is anticipated from the Treasury and the U.S. Small Business Administration in the coming weeks.

Fayette Savings Bank is here to assist you with your PPP loan should you have any other questions at 979-968-9511.

Sincerely,



Wade Mozisek  
President