



Paycheck Protection Program (PPP)

Loan Forgiveness Overview

We know loan forgiveness is important to you. We want to guide you on the conditions and requirements established by the Small Business Administration (SBA) for forgiveness of loans made under the Paycheck Protection Program (PPP).

Forgiveness is not automatic, and it needs to be processed through Popular. We are ready to support you during this process.

If you received a PPP loan, you may apply for forgiveness through our digital platform. Learn what you need to know before applying for it.

Forgiveness process for granted loans

Your PPP loan may be eligible for forgiveness in whole or in part. The amount of forgiveness depends on the amount of loan funds used for eligible expenses and compliance with certain requirements related to the retention of workers and their salaries.

Before you get started, please keep in mind that to be eligible for forgiveness you should have:

- Used the loan proceeds for which you will be requesting forgiveness on eligible payroll costs, interest on business mortgages, business rent, business utilities or other eligible costs detailed below, during the applicable covered period following disbursement of your loan (or, if your loan was disbursed before June 5, 2020 and you have so elected, during the 8-week covered period following disbursement of your loan.)
- Spent at least 60% of the loan proceeds for which you will be requesting forgiveness on eligible payroll costs.
- The actual amount of loan forgiveness will depend, in part, on the total amount of your eligible costs during the covered period. The amount of forgiveness will also depend on whether your number of employees or their salaries or wages were reduced during the covered period, unless you meet certain criteria with respect to such reductions.

STEPS FOR THE LOAN FORGIVENESS PROCESS

Here are the steps that indicate how the Loan Forgiveness process will work through Popular. It is the client's obligation to understand the rules and processes, as defined by the SBA. The information included herein (i) is subject to change at any time, as the SBA modifies or provides additional guidance with respect to the program, (ii) is being provided for informational purposes only, and (iii) does not substitute an examination of the SBA rules for the PPP. For detailed and definitive guidance on the program, please visit the SBA website at: www.sba.gov/ppp.

→ STEP 1 - Prepare to begin the loan forgiveness process

1. Gather and document "eligible payroll costs" as well as "eligible non-payroll costs".

✓ Identify the covered period of your PPP loan

➤ If you received a PPP loan in 2020

Define whether a Covered Period or Alternative Payroll Covered Period of 8 or 24 weeks applies.

- **Covered Period:** The Covered Period can be either: (i) a 24-week (168-day) period beginning on the date the PPP loan is disbursed or (ii) if you received your PPP loan before June 5, 2020, you may elect to use an 8-week (56-day) period beginning on the date the PPP loan is disbursed.

Example: If you are using a 24-week Covered Period and received your PPP loan proceeds on April 20, 2020, the first day of the Covered Period is April 20, 2020 and the last day of the Covered Period is October 4, 2020.

- **Alternative Payroll Covered Period:** If you are an employer with a biweekly (or more frequent) payroll, you may elect that your applicable 24-week (156-day) or 8-week (56-day) covered period begin on the first day of the next payment cycle after your PPP loan is disbursed for the purpose of calculating your eligible payroll costs.

Example: If you are using a 24-week (168-day) Alternative Payroll Covered Period and receive your PPP loan on April 20, 2020 and the first day of the next payment cycle following the disbursement of the PPP loan is April 26, 2020, the first day of the Alternative Payroll Covered Period is April 26, 2020 and the last day of the Alternative Payroll Covered Period is October 10, 2020.

- **In no event may the Covered Period or the Alternative Payroll Covered Period extend beyond December 31, 2020.**

➤ If you received a PPP loan in 2021

- You may choose your applicable covered period depending on your business needs, as long as it is between 8 to 24 weeks.

Example: If your PPP loan was disbursed on April 20, the first day of the Covered Period is April 20. However, your last day of the Covered Period could be any date you choose between June 14 and October 4.

- **Remember that you will be able to start your application as soon as you have used all the funds of your PPP loan, without having to wait for the maximum 24-week covered period to come to an end. On the other hand, also remember that if you do not apply for forgiveness within 10 months after the end of the maximum 24-week covered period, payments on your PPP loan shall cease to be deferred and you will have to begin paying principal and interest.**

✓ Define the eligible payroll costs (at least 60% of the funds of your loan for which you request forgiveness must be used for eligible payroll costs):

➤ Cash compensation (\$100,000 maximum gross earnings per employee):

- Gross wages
- Gross tips
- Gross commissions
- Paid vacation (vacation; family, medical or sick leave; and layoff or severance benefits)

➤ **Non-cash compensation:**

- Group health plans and life, disability, vision or dental benefits insurance
 - Retirement plans
 - State and federal taxes
- ✓ Define eligible non-payroll costs (cannot exceed 40% of the funds of your PPP loan for which you are requesting forgiveness):
- Interest on commercial mortgage loans
 - Rent
 - Utilities
 - Cost of software to maintain the business' operations (e.g. software for payroll processing)
 - Cost to cover property damage due to public disturbances during 2020 that were not covered by insurance or other compensation
 - Cost of purchasing necessary materials for the business that have an order or purchase order
 - Expenses to comply with the guidance issued by the Department of Health or other authorities for social distancing and/or sanitation protocols

It is important to note that eligible non-payroll costs for mortgage interest, rent and utilities must be incurred under agreements in effect before February 15, 2020.

- Identify (i) the eligible payroll costs that were incurred during the Covered Period or the Alternative Payroll Covered Period, as elected, and (ii) the eligible non-payroll costs that were incurred during the Covered Period.
 - If you used more than 60% of the loan funds in eligible payroll costs, you will have to disclose the entire amount in your forgiveness application.
- 2.** Make sure that you comply with the other requirements established by the SBA to receive forgiveness for the PPP loan, which are related to the reduction of wages and the maintenance of the employee headcount. For more information regarding these requirements, go to the Program's official page.

➔ **STEP 2 - Prepare to apply for forgiveness**

We break down the forgiveness forms so that you can identify which one applies to you and learn the requirements before starting your application. Once you login to the digital platform, the system will assign you the form that applies to you according to your loan. You will not have to fill out physical forms since you must complete them digitally through the platform.

➤ **If your loan is of \$150,000 or less -**

- [Form 3508S](#)

You will not have to submit any additional document with Form 3508S. (However, you will have to submit documentation as part of your forgiveness application if you are requesting forgiveness for a second PPP loan and you have not already submitted the necessary documentation to evidence the reduction of at least 25% in your business's revenues.)

➤ **If your loan is more than \$150,000 -**

- [Form 3508EZ](#)
- [Form 3508](#)

We recommend carefully reviewing page 1 of the PPP Loan Forgiveness Application Form 3508EZ Instructions for Borrowers section to determine if you qualify to complete the 3508EZ form; it is a much simpler form than Form 3508.

If you must use Form 3508, it is important that you gather the data from your payroll which has been defined as necessary to complete the PPP Schedule A Worksheet and the PPP Schedule A. Additionally, you can verify the required documents per applicable costs detailed on step #1 on each of the Forms 3508EZ and 3508.

* In order to be able to apply for forgiveness of a second PPP loan in excess of \$150,000, you will have to already have submitted, or submit together with your application for forgiveness of the second PPP loan, the forgiveness application for your first PPP loan.

STEP 3 - Submit your application for forgiveness through our online portal

- ✓ You will receive an email on the established date with a link to access the digital forgiveness platform, your username, and a link to assign your password. With this information you will be able to log in to the platform.
- ✓ Through the digital platform you can submit the required documentation, complete the process, and sign the application electronically.
- ✓ We will verify the documentation and validate the calculations you submitted. We will notify you via email if we need additional data, which you will be required to provide through the digital platform.
 - In order for us to process your application, we must have evidence that your business was operating on February 15, 2020. For this purpose, please submit a Payroll Record or a similar document that covers the period of February 15, 2020.
 - If you are self-employed and have no employees, you must submit a 2020 invoice, a bank statement or a payroll record. These documents will serve to verify that your business was operating on or around February 15, 2020.
 - If you are self-employed, an independent contractor and/or a sole proprietor (without employees) you must provide documents evidencing your net profit for the year 2019 or 2020 and the use of your PPP loan funds. The required documents are:
 1. A copy of the 2019 or the 2020 Income Tax Return you used to calculate the amount of your PPP loan
 2. Canceled checks and/or account statements showing that the funds were 100% used for payroll; or 60% for payroll and 40% for eligible non-payroll costs (commercial mortgage loan interest, rent, utilities and/or other eligible costs).
 - Once your application is completed and we have confirmed that it includes all the required documentation, we will send it to the SBA for authorization.
 - You will be able to monitor your application's progress and the SBA's decision through the digital platform.

ADDITIONAL GUIDANCE

You may read the Questions and Answers section at popular.com/help-sba-forgiveness for additional information about the loan forgiveness process. You can also visit the SBA website to clarify any questions regarding this process.

IMPORTANT NOTICE TO ALL APPLICANTS: The SBA does not authorize funds received from the Paycheck Protection Program (PPP) to be used to make payments to representatives or agents (including attorneys, accountants, or other intermediaries, hereinafter the "Representatives") who have assisted businesses with applying for a PPP loan, forgiveness of a PPP loan, or amendments to an existing PPP loan or have acted as intermediaries. Banco Popular will not pay charges billed by Representatives, unless such charges have been expressly pre-approved for the purpose of collecting Banco Popular's service charge. All applicants must clearly understand that by applying for a PPP loan, forgiveness of a PPP loan, or amendments to an existing PPP loan to Banco Popular, applicants expressly agree that they will be solely responsible for any fees, expenses or charges claimed by any Representative assisting clients with any such application or otherwise serving as an intermediary.



Rev: march 9, 2021