

May 13, 2020

Day Pitney Launches PPP FAQ With Loan Forgiveness Insights

UPDATED: on July 10, 2020

Day Pitney's PPP FAQs were prepared in April and May of this year, far in advance of official guidance from the SBA and Department of Treasury regarding PPP loan forgiveness and other related matters. Now that official guidance has been published, we refer our readers to the SBA Website [here](#) or you can contact your Day Pitney attorney for the latest information.

Day Pitney has launched a resource on its website with answers to frequently asked questions, or FAQ, on the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act. The Day Pitney PPP FAQ answers client questions about the use of PPP proceeds and future applications for loan forgiveness. The FAQ can be accessed here along with other COVID-19 related resources and analyses.

The purpose of the PPP is to provide economic relief to small businesses adversely impacted by the COVID-19 crisis and to help these businesses retain their employees by providing forgivable loans. The proceeds of these loans must be used for payroll costs, mortgage interest, rent and utility costs.

A torrent of statements from regulators, politicians and media has created a wave of questions among PPP borrowers regarding the allowable use of proceeds and criteria for loan forgiveness under the PPP. The Day Pitney FAQ will be updated regularly as additional rules and guidance are issued.

"Lenders approved to make PPP loans have been authorized to verify documents from PPP borrowers regarding allowable uses of proceeds that may affect the calculation of loan forgiveness," explained Susan Huntington, a Day Pitney partner, vice chair of its Corporate and Business Law department and co-chair of its COVID-19 Task Force.

Rick Harris, a Day Pitney partner, co-chair of its COVID-19 Task Force, and leader of the PPP Thought Leadership Team notes, "The Small Business Administration has not yet offered definitive guidance on the PPP. Our goal is to provide a high-level overview of the PPP to answer our clients' frequently asked questions. We anticipate that PPP lenders, the SBA and other governmental authorities will continue to move toward a restrictive interpretation of the CARES Act, and the PPP FAQ offers conservative guidance for planning and educational purposes. The PPP FAQ also provides analyses for companies considering declining or paying back their PPP loan before the May 14 safe harbor deadline, in light of the evolving and sometimes contradictory guidance from the government."

Every day, the Day Pitney team meets to review questions frequently asked by clients and formulates consensus responses. Pending the long promised guidance from the SBA and other government agencies, Day Pitney decided to share with the public all of the questions and preliminary responses to some questions.

For more Day Pitney alerts and articles related to the impact of COVID-19, as well as information from other reliable sources, please visit our [COVID-19 Resource Center](#).

COVID-19 DISCLAIMER: As you are aware, as a result of the COVID-19 pandemic, things are changing quickly and the effect, enforceability and interpretation of laws may be affected by future events. The material set forth in this document is not an unequivocal statement of law, but instead represents our best interpretation of where things stand as of the date of first

publication. We have not attempted to address the potential impacts of all local, state and federal orders that may have been issued in response to the COVID-19 pandemic.

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