

Assessment of Need & Documentation for PPP Loans

Client & Friends -

Over the last week, there has been additional communication from the Small Business Administration (SBA) in consultation with the Dept. of Treasury regarding economic need for Paycheck Protection Program (PPP) loans.

Below, we wanted to provide you with the highlights of the communication regarding economic need. To view the updated FAQs document in its entirety, click [here](#).

- PPP loans in excess of \$2 million (in addition to other loans as appropriate) are going to be reviewed and borrowers *may* face enforcement scrutiny. The main areas of risk include: 1) necessity for the loan, 2) size eligibility, 3) amount of loan requested and 4) use of loan.
- The SBA wants borrowers to seriously consider their certification that the loan was "necessary" to support their ongoing operations. They do note that companies with alternative access to capital need to justify their determination that the loan was necessary.
- Borrowers will be granted safe harbor and may return funds, which in retrospect may not have been "needed" per the PPP rules. They have until May 7, 2020 to do so without penalty.

From the beginning, our recommendation to our clients has been that documentation is critical in applying for loan forgiveness. Depending on the loan amount, this documentation may also be needed to show that the loan was necessary to support ongoing operations.

This documentation may include payroll tax filings, cancelled checks, payment receipts, documents verifying mortgage or lease obligations, etc. You may also want to set up a separate checking account (similar to a payroll account) so you can show compliance with payroll-related item. Additionally, you may want to document the expected need or uncertainty given the facts of your particular situation currently and at the time of application.

We will be happy to assist you with questions about your specific situation. For additional resources related to COVID-19, visit the [COVID-19 section](#) of our website.

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