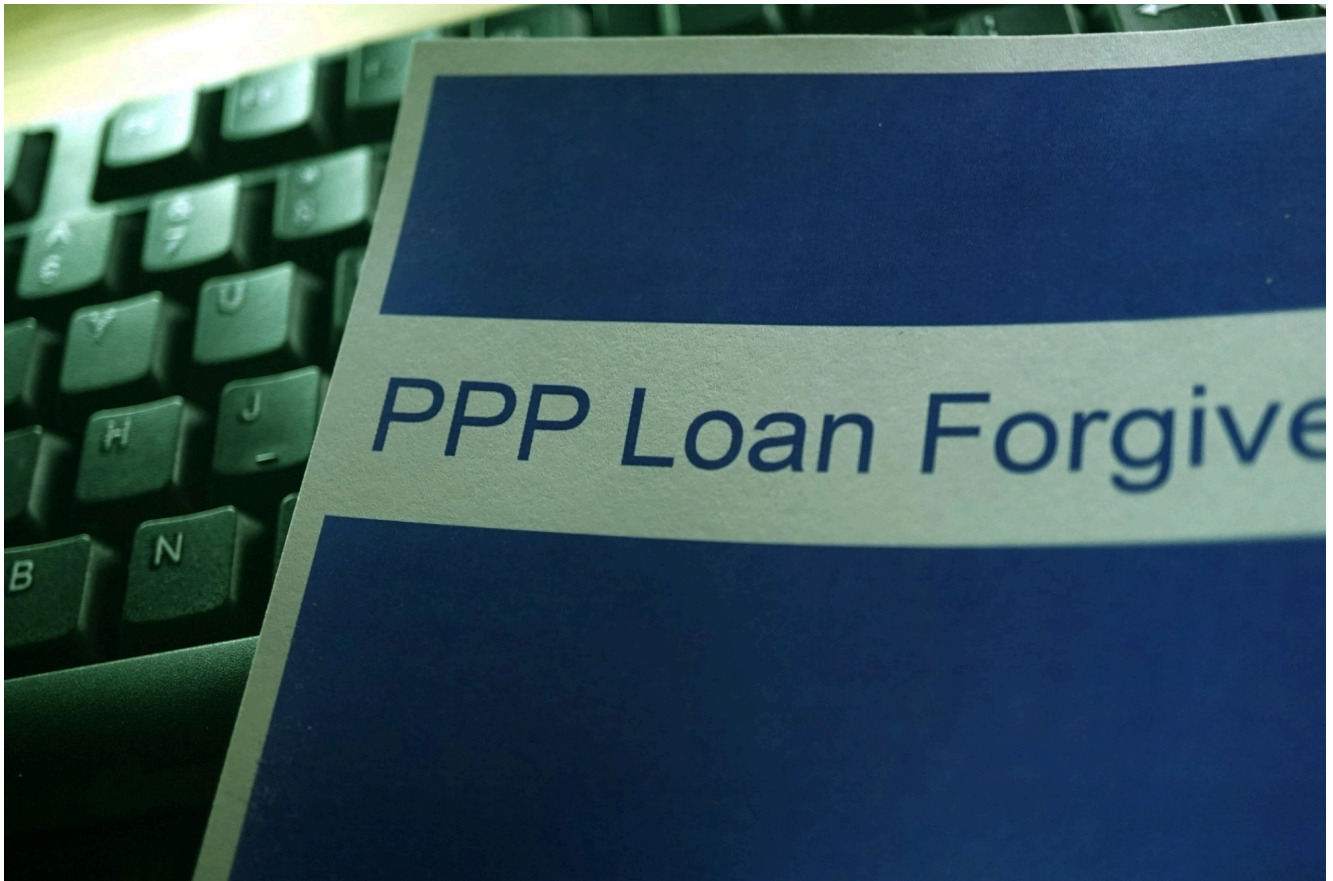


PPP Loan Forgiveness Period Beginning to Close; Payments May Be Due



PPP borrowers who took loans in 2020 will soon have their first payments due if they don't request forgiveness.

July 7, 2021 3 min read

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Small-business owners who obtained a Paycheck Protection Program (PPP) loan in 2020 need to pay close attention to their forgiveness period, as the window of time to avoid payments of principal and interest is closing. For example, if you obtained a PPP loan on April 15, 2020 and took the maximum coverage period of 24 weeks, you will have until this August 30 to apply for forgiveness. If you fail to apply for

forgiveness in time, you will be responsible for monthly interest and principal loan payments. While you can still apply for forgiveness later, you will be making monthly payments of principal and interest until your forgiveness request is approved by the bank and the Small Business Association (SBA). The bank and SBA have up to five months to approve your forgiveness request.

The SBA last reported in May that more than 70% of PPP loans made in 2020 have already been forgiven. They also noted that more than 1.7 million PPP loan borrowers have not even applied for forgiveness. If you are a small business who has not made your forgiveness request for your 2020 PPP loan, you will want to act fast to avoid upcoming monthly payments.

Related: New Stimulus Bill Includes Second Round of PPP Loans for Small Business and Forgiveness Rule Changes Favorable to Borrowers

Forgiveness period timeline and approval timeframe

A forgiveness application should be submitted within 12-16 months from when the small business received their funds. This approximate timing considers the 8-12-week covered period when no payments are due and the 10-month period the law automatically grants where there are no payments of principal or interest.

Which forgiveness application should you submit?

The forgiveness application is submitted to the bank that loaned PPP funds to the small business. There are different forgiveness forms that can be used. Some resemble a tax return and require documentation (the 3508) while others

are straightforward and do not require calculations or documentation (the 3508S).

Simple 3508S

Small businesses that obtained a loan of under \$150,000 should use the simplified Form 3508S application. This application is one page and requires no calculations other than the loan amount and the amount of the forgiveness request. If you properly used the funds for payroll and other approved expenses such as rent and utilities, then this application should take less than 10 minutes to complete.

Easy 3508EZ

Those who didn't reduce their full time employee equivalent (FTE) in 2020 by more than 25%, but whose loan was in excess of \$150,000, should use the easier Form 3508EZ application. You can also use the EZ application even if your FTE headcount were reduced, so long as that reduction was due to Covid-19 health restrictions on the business (e.g., restaurants that could only operate at 50% capacity).

Related: SBA Approves Simple 1-Page PPP Forgiveness Application for Loans of \$50,000 or Less

Full Application

Those businesses who have FTE reductions greater than 25% in 2020 that were not a result of Covid health restrictions will complete the much lengthier and complicated Form 3508. (My prior article on PPP forgiveness application options can be found [here](#).)

If your small business has not submitted a request for forgiveness of a 2020 first-draw PPP loan, reach out to your bank or other PPP lender as quickly as you can. Banks are motivated to assist you in forgiveness as the SBA pays off the loan for you when the forgiveness request is approved. While

there was chaos and confusion when PPP loans were first issued in 2020, the forgiveness process is much simpler, and the SBA and banks have better guidance and a more streamlined process.

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