

PAYCHECK PROTECTION PROGRAM FORGIVENESS FAQ

NOTE #1: THESE FAQs ARE INTENDED FOR PPP BORROWERS WITH A FIRST OR SECOND DRAW LOAN OF MORE THAN \$150,000.

NOTE #2: This information is current as of 8/16/2021 and is subject to change based on additional guidance from the U.S. Small Business Administration (SBA).

NOTE #3: This information is provided for your convenience and is not a substitute for reviewing the SBA's requirements and consulting with your accountant, attorney, or other trusted professional. You are responsible for understanding the requirements of the Paycheck Protection Program (PPP) and how they apply to your PPP loan.

1. HOW DO I APPLY FOR FORGIVENESS?

- All forgiveness applications will need to be submitted via our online forgiveness application portal.
- For information on how to request access to the FHB online forgiveness application portal, click [here](#).

2. WHAT'S THE DEADLINE FOR REQUESTING FORGIVENESS?

You may submit a loan forgiveness application any time on or before the maturity date of the loan. However, if you do not apply for forgiveness within 10 months plus 24 weeks after your loan proceeds were disbursed, loan payments are no longer deferred, and you must begin paying principal and interest in monthly installments to fully repay the balance by the maturity date. For more information on calculating your Covered Period and Deferment Period click [here](#). **Note: The forgiveness process does not change the maturity date of your loan, so the longer you wait to apply for forgiveness, the less time you will have to repay your loan if you do not receive 100% forgiveness.**

3. WHICH SBA FORM SHOULD I USE TO APPLY FOR FORGIVENESS?

- FORM 3508S** Use the "simplified" forgiveness form if your loan is \$150,000 or less. Click [here](#) to view form.
- FORM 3508EZ** Use the "easy" forgiveness form if you meet ONE of the following criteria (click [here](#) to view form):
 1. You **DID NOT** reduce the annual salary or hourly wages of any employee by more than 25% during the Covered Period compared to the most recent full quarter before the Covered Period **AND** you **DID NOT** reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period .
 2. You **DID NOT** reduce the annual salary or hourly wages of any employee by more than 25% during the Covered Period compared to the most recent full quarter before the Covered Period **AND** you were unable to operate during the Covered Period at the same level of business activity as before February 15, 2020 due to COVID-19-related health and safety requirements.
- FORM 3508** Use the "standard" forgiveness form if you do not qualify to use either the 3508S or 3508EZ. Click [here](#) to view form.

4. WHEN CAN I APPLY FOR LOAN FORGIVENESS?

- We are currently accepting forgiveness applications for first draw and second draw PPP loans of more than \$150,000. We encourage you to apply for forgiveness as soon as you are in a position to do so.
- For information on how to request access to the FHB online forgiveness application portal, click [here](#).

5. WHAT SHOULD I DO TO PREPARE FOR LOAN FORGIVENESS?

- Review FHB's [PPP Forgiveness Readiness Guide and Document Checklist for Form 3508 | 3508EZ](#).
- Plan ahead with your CPA, bookkeeper, or accounting department.
- Maintain digital copies of all forgivable payments.
- Regularly check [SBA.gov](#), [Treasury.gov](#), and [FHB](#) for the latest information.

6. WHAT PAYROLL COSTS COUNT TOWARDS LOAN FORGIVENESS?

Borrowers are generally eligible for forgiveness for the payroll costs paid and in certain cases incurred during the Covered Period. Payroll costs consist of:

- **Cash Compensation** Salary, wages, commissions, bonuses, tips, paid leave (vacation, family, medical, or sick leave), and allowances for separation or dismissal. Cash compensation for each employee must not exceed an annual amount of \$100,000, as prorated for the Covered Period.
- **Employee Benefits** The total amount that you paid for:
 - Employer contributions for employee group health, life, disability, vision, or dental insurance (not including contributions made on behalf of self-employed individuals, general partners, or owners-employees of an S-corporation).
 - Employer contributions to employee retirement plans (not including contributions made on behalf of self-employed individuals or general partners).
 - Employer state and local taxes assessed on employee compensation.
- **Owner Compensation** Any amounts paid to owner-employees with an ownership stake of 5% or more, self-employed individuals, or general partners. For each individual owner in total across all businesses, this amount is capped at the lower of \$20,833 or the 2.5-month equivalent of the individual's applicable compensation in the year that was used to calculate the loan amount.

7. WHAT NONPAYROLL COSTS COUNT TOWARDS FORGIVENESS?

Nonpayroll costs eligible for forgiveness cannot exceed 40% of the total forgiveness amount and must be paid or in certain cases incurred during the Covered Period. Nonpayroll costs consist of:

- **Covered Mortgage Obligations** Payments of mortgage interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020.
- **Covered Rent Obligations** Business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020.
- **Covered Utility Payments** Business payments for the distribution of electricity, gas, water, telephone, transportation, or internet access for which service began before February 15, 2020.
- **Covered Operations Expenditures** Payments for any business software or cloud computing service necessary to facilitate general business operations.
- **Covered Property Damage Costs** Costs related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that were not covered by insurance or other compensation.
- **Covered Supplier Costs** Expenditures made to a supplier of goods essential to the operations of the business and made pursuant to a contract, order, or purchase order in effect before the Covered Period (for perishable goods, the contract, order, or purchase order may have been in effect before or at any time during the Covered Period).
- **Covered Worker Protection Expenditures** Operating or capital expenditures that facilitate the adaptation of the business activities of an entity to comply with COVID-19-related requirements or guidelines issued by the various federal, state, or local government agencies.

8. WHAT IS THE 'COVERED PERIOD'?

The Covered Period begins on the date the loan was originally disbursed and ends on a date selected by the borrower that is at least 8 weeks following the date of loan disbursement and not more than 24 weeks after the date of loan disbursement. For example: If a borrower received PPP loan proceeds on Monday, April 20, 2020, then the Covered Period begins on April 20, 2020 and ends on any date selected by the borrower between Sunday, June 14, 2020 and Sunday, October 4, 2020.

Borrowers are generally eligible for forgiveness for the payroll costs and eligible nonpayroll costs paid or in certain cases incurred during the Covered Period.

For more information on calculating your Covered Period and Deferment Period click [here](#).

9. WHEN WILL MY PPP LOAN START TO ACCRUE INTEREST?

Your PPP loan started to accrue interest on the day the proceeds were disbursed. If you apply for and receive forgiveness from the SBA, you will no longer have any obligation to pay the accrued interest on the amount forgiven.

10. WHAT HAPPENS IF I APPLY FOR FORGIVENESS PRIOR TO THE END OF MY COVERED PERIOD?

- If you apply for forgiveness before the end of the Covered Period and have reduced any employee salary/wage in excess of 25 percent, there could be adjustments to your forgiveness calculation.
- We recommend consulting your CPA or financial advisor before doing this.

11. CAN I REQUEST FORGIVENESS IF I DID NOT USE ALL OF THE FUNDS WITHIN THE COVERED PERIOD?

Yes, but you may not receive full forgiveness on the PPP loan. Any portion of the loan that is not forgiven must be repaid in accordance with the terms of the loan.

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12. WHAT IS AN FTE AND HOW DO I CALCULATE IT?

- FTE stands for full-time equivalent; it measures how many full-time employees you have, along with the number of part-time employees that combine to work 40 hours per week.
- In order to calculate:
 - For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is capped at 1.0.
 - You may elect to utilize a simplified method that assigns 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours.

IMPORTANT One method for calculation of FTEs must be used consistently throughout the forgiveness application.

13. WHAT DOCUMENTS WILL I NEED TO PROVIDE TO QUALIFY FOR LOAN FORGIVENESS?

- Review FHB's **PPP Forgiveness Readiness Guide and Document Checklist for Form 3508 | 3508EZ**.
- You will need to document any eligible expenditures or payments that you wish to be counted towards forgiveness.
- As part of the forgiveness application, you will need to provide documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs and nonpayroll costs for which you are seeking forgiveness.
- Our online forgiveness application will identify the documents that you need to provide.
- You must certify that the documents are true and correct and that you used the forgiveness amount to make eligible payments and expenditures.

14. CAN I GIVE BACK THE LOAN IF I NO LONGER NEED IT?

Yes. There is no prepayment penalty. However, you will owe interest.

15. WHAT IF I DO NOT MEET THE FORGIVENESS REQUIREMENTS AND MY LOAN IS NOT FORGIVEN?

If all or a portion of the debt is not forgiven, you must pay the balance in monthly installments before the maturity date (with interest accruing at 1.0% from disbursement of the loan through the repayment date). Please see your note for the maturity date. However, if your loan received its SBA Number on or after June 5, 2020, the term of your loan is five years due to changes made by the Paycheck Protection Program Flexibility Act of 2020 (the Flexibility Act). You were sent a Notice of Changes explaining the impact of the Flexibility Act.

16. WHAT IF I COULD NOT OPEN UP MY BUSINESS DURING THE COVERED PERIOD BECAUSE OF STAY AT HOME ORDERS?

You are exempt from a reduction in your loan forgiveness amount based on a reduction in FTE employees during the Covered Period if you were unable to operate at the same level of business activity as before February 15, 2020 due to federal, state or local COVID-19 requirements related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement.

