Dear [Customer Name],

Thank you, first, for placing your trust in [Bank Name] to secure a loan under the Paycheck Protection Program. It is our honor to serve you and your business through this challenging time.

As you continue to use your PPP loan proceeds to operate your business, it is important that you do so with one eye towards the loan forgiveness process. The Small Business Administration, which oversees the program, will ask the bank to verify certain information so that we may attest that you have met the qualifications for forgiveness.

The Small Business Administration recently issued the Application for Loan Forgiveness. In doing so, they provided for some flexibility in the definition of the 8-week covered period to which the loan applies. That period may now be defined as either:

1. The eight weeks beginning on the day which the loan was funded; or
2. If you pay employees biweekly, an eight-week period which begins on the first day of your first payroll period following the loan disbursement date (defined as the Alternative Payroll Covered Period).

They further clarified that Paycheck Protection Program loans may be forgiven in an amount equal to the sum of the following costs incurred and payments made during the eight-week covered period:

1. Payroll Costs.
2. Payment of interest on any covered business mortgage obligation (excludes prepayment of or principal payment on such).
3. Business rent or lease payments.
4. Business utility payments.

To document the expenses above, you will be expected to provide the following along with your Application for Loan Forgiveness:

* Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
* Tax forms that overlap with the Covered Period or the Alternative Payroll Covered Period (payroll tax filings using IRS Form 941, and State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported).
* Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans.
* Documentation showing:
  + The average number of FTE employee on payroll per month between February 15, 2019 and June 30, 2019.
  + The average number of FTE employee on payroll per month between January 1, 2020 and February 29, 2020; or
  + If you are a seasonal employer, the average number of FTE employees on payroll per month between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or a consecutive twelve-week period between May 1 and September 15, 2019.
* For business mortgage interest payments, a copy of your lender’s amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period.
* For business rent or lease payments, a copy of your current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period.
* For business utility payments, a copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

The Small Business Administration has also required that all borrowers maintain (but need not submit):

* Documentation supporting the listing of each individual employee, including the “Salary/Hourly Wage Reduction” calculation if necessary.
* Documentation on certain employees who received during any single pay period in 2019 compensation at annualized rate of more than $100,000.
* Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reduction in work schedule.

In order to assist you with this process, [Bank Name] has prepared a [loan forgiveness workbook](https://www.ibat.org/PDFs/2020/05/18/loan-forgiveness-workbook) for your use. This Microsoft Excel-based resource will help you organize your information and will expedite the bank’s review of your application for forgiveness when appropriate. To access the loan forgiveness workbook or you have any questions related to the loan forgiveness process, please contact your loan officer who assisted you with your loan application. Again, thank you for your business and the opportunity to serve you.

Sincerely,

Bank Name