

SBA Paycheck Protection Program and Loan Forgiveness

We know that loan forgiveness is an important part of your PPP loan, but that many still have questions about what loan forgiveness means for them. While we are still awaiting additional guidance from the Small Business Association (SBA), we'd like share the info we do know to help you prepare.

You may be eligible for loan forgiveness based on how your loan funds are spent during the 8-week period after your loan funding date. The Paycheck Protection Program section of the CARES Act was intended to assist small businesses with payroll costs for 8 weeks while helping to defray certain other costs; therefore, understanding the requirements for loan forgiveness is essential because you will be responsible to make payments for any unforgiven portion of your loan.

HOW MUCH OF MY LOAN WILL BE FORGIVEN?

According to current guidance, up to 100% of the loan principal and accrued interest may be forgiven when used for appropriate expenses (examples listed below) during the 8-week period following the loan funding date and if employee and compensation levels are maintained.

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on existing mortgage obligations incurred in the ordinary course of business
- Rent under an existing lease agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)

No more than 25% of the amount forgiven may be based on non-payroll costs. The amount forgiven is reduced if the borrower has a workforce reduction or a reduction in the salary or wages of employees during the calculation period. To better understand requirements to ensure you'll be eligible for loan forgiveness through the SBA, please review the [loan forgiveness form](#).

We will email you when you are able to apply for loan forgiveness online. Bank of Hawaii will only be accepting a loan forgiveness application through an online submission process on boh.com in the future; please do not fill out the loan forgiveness form and submit to Bank of Hawaii until you receive an email from us.

HOW DO I REQUEST LOAN FORGIVENESS?

We will email you when you can request loan forgiveness online. Please do not fill out the loan forgiveness form and submit to Bank of Hawaii. However, reviewing the loan forgiveness application form now will be helpful for you to understand how your loan forgiveness amount will be calculated and the type of documentation and information you will need to submit. **Please note, loan forgiveness will not be automatic; you will need to request forgiveness and provide substantiating documents to Bank of Hawaii to certify and document that you used the loan funds for SBA-eligible purposes.** Documents will need to include verification of the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations.

The SBA has not yet confirmed the process for how lenders will submit loan forgiveness to the SBA. In the meantime, please begin to gather the information and identify the required documents that you will need to request loan forgiveness.

Note: Additional guidance from the Treasury Department and SBA may change the requirements for forgiveness.

HOW LONG IS THE APPROVAL PROCESS?

The SBA has not yet confirmed the process or timeframes between the SBA and the lender regarding loan forgiveness. We are awaiting guidance from the SBA.

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WHAT IF MY LOAN IS NOT COMPLETELY FORGIVEN?

You will be responsible for the repayment of the loan amount that is not forgiven. Your loan has a fixed interest rate of 1.00% and a term of 2 years. You will not be required to make any loan payments during the first six months, but interest will continue to accrue during that period. If your loan is not completely forgiven, the remaining balance, including interest, will amortize over the last 18 months and monthly payments will be due starting on the seventh month.

WILL MY LOAN FORGIVENESS AMOUNT BE REDUCED IF I LAID OFF AN EMPLOYEE, OFFERED TO REHIRE THE SAME EMPLOYEE, BUT THE EMPLOYEE DECLINED THE OFFER?

The SBA and Treasury have indicated that they intend to issue an interim final rule excluding laid-off employees whom the borrower offered to rehire (for the same salary/wages and same number of hours) from the CARES Act's loan forgiveness reduction calculation. The SBA has indicated that the interim final rule will specify that, to qualify for this exception, the borrower must have made a good faith,

written offer of rehire, and the employee's rejection of that offer must be documented by the borrower. Employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

I STILL HAVE MORE QUESTIONS. WHERE CAN I FIND MORE INFORMATION?

For the most recent FAQs from the SBA, visit <https://www.sba.gov/document/support-faq-lenders-borrowers>.

We also recommend you review the latest Small Business Administration guidelines at [sba.gov/ppp](https://www.sba.gov/ppp) to ensure you're up-to-date on requirements for loan forgiveness as these terms are set through the federal program. You should also consult your own attorney, accountant, and other business advisors to evaluate your individual facts and circumstances in connection with your PPP loan and the forgiveness process.

Thank you for your patience and understanding as we work with you, our customers, and the SBA during these challenging times. As we have more clarity on how loan forgiveness will be facilitated with the Small Business Administration, we will provide updates on the steps you should be taking. For the latest information on PPP and other small business financial relief options, please visit boh.com/ppp.

This information is accurate and updated as of May 19, 2020.