Proposal: 1712(AF86) Reg Q; Paycheck Protection Program Lending Facility and Paycheck Protection Program Loans

Description:

Comment ID: 137233

From: Roger Washburn

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Subject: Regulatory Capital Rule: Paycheck Protection Program Lending Facility and Paycheck Protection Progra

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Comments:

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Regarding the calendar and forgiveness of PPP Loans

I have a question that is critical to the full forgiveness calculation of the PPP loans for many, if not most, of the other small businesses receiving a PPP loan. And I suspect many small businesses are not even aware of the issue.

The covered period begins the day the loan is funded and continues for 8 weeks. Our business had been working with a very limited staff from the Michigan state order to close restaurants with the goal of the loan to staff up to pre-virus days. I assumed forgiveness would be based on our ability to staff up starting April 12 (our loan date). I have recently read in a number of opinions in articles on the Forgiveness calculation, that payroll dollars spent will be evaluated ona cash basis, not an accrual basis. What this means is the payroll we paid on April 17 was for hours worked March 30 thru April 10 (prior to the loanand with a significantly reduced staff) would count towards our forgiveness goal. This also means the employees and hours worked the last two weeksof the 8 week covered period would not count toward forgiveness because the running of the payroll and issuance of the checks would be outside the covered period.

Counting the two weeks when employment was low and not counting the last two weeks when companies are ramping up does not fit the spirit of the program. I suspect every company that has hourly rated employees will experience this same calendar issue in doing the math of forgiveness. If we count forgiveness on a cash basis my reduced payroll for the pre-loan period was approximately $12000 This first pay period in the covered period was $27,081, just dollars short of the applications target. If forgiveness is based on cash, we have to find a way to overpay in the last two pay periods by $15,000. I don't think this is what the intent of loan was.

As part of this question/issue, our full time equivalents on the application were 23.5. The pay period ending prior to the covered period on March 10 FTE's were 12. The pay period starting on March 12, loan date, was 24.5. Again, this shows we are meeting the spirit of the loan, but if 1 of the 4 pay periods precedes the loan, getting that average to 23.5 will be challenging.

A second question/clarification & related to the first. Our targeted payroll for the 8 weeks is $111,736. I have read in general terms the targeted payroll has a 25% forgiveness supporting the concept and difficulty of companies coming up to full employment overnight. Our number under that scenario would be $83802. Can you tell me the number we will be evaluated on?

Of course I have asked our loan originator and they have no idea as their focus is on processing loans. Having completed 3 of the 8 weeks of the covered period leaves little time to react to rules. Please get out in front of this issue and deliver clear guidance or the issues on providing the millions of loans will pale to the issues on the forgiveness side.

Thank you

Roger Washburn