

# Pitfalls of PPP Loan Forgiveness

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**Businesses are now eligible to apply for forgiveness of loans received through the federal Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.**

PPP loan recipients should be thoughtful in responding to information requested by lenders and the Small Business Administration (SBA).

For businesses that received \$2 million or more in PPP funding, an overview of the timelines and expectations for the loan forgiveness process is below:

- A business submits its application for forgiveness to its PPP lending institution.
- The lender has 60 days to make a determination on the application and submit a recommendation for forgiveness to the SBA.
- The SBA has 90 days to review the request.
- The SBA will send borrowers who received more than \$2 million a supplemental questionnaire to guide its decision.
- Upon receipt of the questionnaire, **the business only has ten business days to return the supplementary documentation to the SBA.** *This is why we strongly recommend businesses think strategically about the timing of their request, and begin preparing in advance of applying for forgiveness!*

Though it seems straightforward on its face, the supplemental questionnaire can raise concerns for business owners. The form has two main components:

- validating that your loan was spent on permissible expenses, and
- reaffirming the necessity of the funding at the time of your loan application, in the form of documents evidencing financial need.

The risks to borrowers if the request for forgiveness is denied include having to repay the loan, as well as possible fines and civil or criminal sanctions.

There are a number of opportunities within the supplemental questionnaire for business owners to position themselves positively with the SBA. Contact McGlinchey's PPP Task Force sooner than later to make sure you put your best foot forward.

[visit our Guide to PPP Loan Forgiveness](#)

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Rudy Aguilar