

MOODY BANK PPP FORGIVENESS CHECKLIST

NOTES

This checklist provides guidance for the documents we need submitted in conjunction with your SBA Paycheck Protection Program loan forgiveness application.

Covered Period/Alternative Covered Period

Payroll costs which were incurred during the Covered Period (date the loan was disbursed by Moody Bank) or the Alternative Covered Period (the first payroll date which occurs after the loan disbursement date), but paid after the Covered Period or Alternative Covered Period are eligible for forgiveness as long as the payroll costs are paid on or before the next regular payroll date after the Covered or Alternative Covered Period.

Payroll costs and nonpayroll costs incurred before the Covered Period but paid during the Covered Period are also eligible for forgiveness. The term Alternative Covered Period applies to payroll related expenses **ONLY** and not to non-payroll expenses. Qualifying non-payroll expenses must have been paid during the Covered Period.

If you received your PPP loan proceeds before June 5, 2020, you may opt to use an 8-week or 24-week Covered Period or Alternative Covered Period. For PPP loans disbursed on or after June 5, 2020, you must use the 24-week Covered Period.

Form 3508 EZ | Safe Harbor

Form 3508EZ is designed to streamline PPP forgiveness for certain businesses who qualify. The EZ form requires fewer calculations and less documentation for eligible borrowers. To utilize form 3508EZ, you must qualify under one of the following criteria:

1. The borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483)
OR
2. SAFE HARBOR #1: The borrower did not reduce annual salaries or hourly wages of any employee by more than 25% during the Covered Period or Alternative Payroll Covered Period, compared to the period between January 1, 2020 and March 31, 2020 ("employee" here refers to only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000).

and

The borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

OR

3. SAFE HARBOR #2: The borrower did not reduce the annual salaries or hourly wages of any of their employees by more than 25% during the Covered Period or Alternative Covered Period, compared to the period between January 1, 2020 and March 31, 2020 ("employee" here refers to only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000).

and

The borrower 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 and the end of the Covered Period. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before

December 31, 2020. Also ignore reductions in an employee's hours that the borrower offered to restore and the employee refused.)

Loan Forgiveness

For complete loan forgiveness, 60% or more of the loan proceeds must have been paid toward payroll expenses and the remaining 40% must have been paid toward designated expenses (rent, mortgage interest or utilities which were under contract prior to February 15, 2020).

Documentation

If the entirety of your PPP loan amount was spent on payroll expenses, we **will not** need documentation supporting non-payroll related expenses.

Prior to logging in to the loan forgiveness portal, please gather electronic copies of all required documentation as detailed in the checklists below. As you gather all electronic documents, please be sure they are labeled accordingly; for example, please name the document containing mortgage interest statement as "Mortgage Interest Statement." All related expenses can be saved in one file; for example, all payroll reports can be saved and submitted in one large document named "Payroll Reports" – we will not need each report saved as its own individual document.

PAYROLL EXPENSES

Payroll – Documentation verifying the eligible cash compensation and non-cash benefit payments specific to the Covered Period or the Alternative Payroll Covered Period. Provide any applicable documents listed below. We strongly suggest you run your payroll report based on the specific qualified dates using the Covered Period or Alternative Covered Period.

- ☐ Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- ☐ Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
 - Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941)
 - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state
- ☐ Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount.
- ☐ Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees

Full Time Equivalent (FTE) – Only required for borrowers filing 3508 (**not required for 3508 EZ**). Documentation showing (at the election of the Borrower):

- ☐ The average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019; **OR**
- ☐ The average number of FTE employees on payroll per month employed by the Borrower between January 1, 2020 and February 29, 2020; **OR**
- ☐ In the case of a seasonal employer, the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019; or any consecutive 12-week period between May 1, 2019 and September 15, 2019.

Note: Documents submitted may cover periods longer than the specific time period.

NON-PAYROLL EXPENSES

Only include documentation for non-payroll expenses if the PPP loan amount exceeds the amount spent on qualified payroll expenses during the Covered Period. You may not use the Alternative Covered Period for non-payroll expenses.

- ☐ Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments incurred or paid during the Covered Period.
- ☐ **Business mortgage interest payments:** Copy of lender 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 verifying interest amounts and eligible payments.
- ☐ **Business rent or lease payments:** Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period, plus copy of lease agreement or other documentation showing that an agreement was in existence as of February 2020.
- ☐ **Business utility payments:** Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments

ADDITIONAL DOCUMENTATION

- ☐ PPP Schedule A Worksheet or its equivalent **and the following:**
- ☐ Documentation supporting the listing of each individual employee; including the “Salary/Hourly Wage Reduction” calculation, if necessary.
- ☐ Documentation supporting the listing of each individual employee; specifically, compensation that each listed employee received during any single pay period in 2019 and 2020 at an 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 reductions in work schedule.
- ☐ Documentation supporting “FTE Reduction Safe Harbor,” if applicable.

All records relating to the Borrower’s PPP loan, including documentation submitted with its PPP loan application, documentation supporting the Borrower’s certifications as to the necessity of the loan request and its eligibility for a PPP loan, documentation necessary to support the Borrower’s loan forgiveness application, and documentation demonstrating the Borrower’s material compliance with PPP requirements. The Borrower must retain all such documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.