



## Paycheck Protection Program – Loan Forgiveness Frequently Asked Questions (FAQ)

Thank you for applying for a Paycheck Protection Program (PPP) loan with Montecito Bank and Trust. We hope the loan has been helpful in supporting and sustaining your business. We understand the criticality of the PPP forgiveness phase, and assure you we are committed to supporting each of our PPP borrowers throughout this process and within the soon-to-be finalized SBA guidelines. Our Relief Center continues to monitor the program for updates as they occur, and we will keep this document updated with new information as we receive it. You may also follow and reference updates and changes posted on the U.S. Department of the Treasury website, [here](#). We appreciate your patience throughout this process, and hope that you stay safe and healthy.

### How and when do I apply for forgiveness?

In order to ensure we begin the process with as much clarification from the SBA as possible we anticipate launching our Forgiveness Program in July.

**At that time, a representative of the Bank will reach out to you directly to begin the Forgiveness process.** Because we expect and are preparing for a significant volume of forgiveness requests, across the more than 1,400 PPP loans we have issued, **we ask that you wait for one of our PPP specialists to contact you directly**, as that will enable a more streamlined, effective and efficient process for everyone involved.

### What percentage of the loan proceeds have to be used for payroll?

Borrowers may use 60% or more of the loan funds on payroll expenses. Borrowers may use less than 60% of their PPP loan amount for payroll costs during the forgiveness-covered period, however, that could affect the amount of forgiveness granted.

### What is the length of the “Loan Forgiveness Covered Period” for a PPP Loan?

The “Loan Forgiveness Covered Period” is the period during which funds from the PPP loan may be used on qualified expenses. Recent changes to the program have extended the program end date of the “Loan Forgiveness Covered Period” from June 30, 2020 to Dec. 31, 2020. Borrowers may use 24 weeks from their date of funding to determine their covered period, but if loan proceeds were received before June 5, 2020, borrowers may choose to use 8 weeks instead.

### Do I have to maintain the number of employees for the entire Loan Forgiveness Covered Period to have my loan forgiven?

It is recommended you check the SBA guidance in this regard.

### What documents will I need to submit when I apply for forgiveness?

While the required documentation has not been finalized, as the borrower, you are responsible for tracking all expenditures beginning the date your loan was funded. We strongly recommend you meet with your financial advisor now so that when we contact you, you have appropriate documentation, to the best of your advisor’s knowledge, prepared and ready to submit.

### What is the loan term for any amounts that are not forgiven?

Recent changes provide a five-year maturity for loans made on or after June 5, 2020, and provide lenders with an option for loans made prior to that date to extend the loan maturity from two years to five years at the mutual agreement of the borrower and lender.

### If I do not apply for forgiveness, when should I start making payments?

Payments of principal and interest will begin at the end of the payment deferral period; 10 months after the end of the Loan Forgiveness Covered Period.

### Are these the final rules for forgiveness?

The SBA has indicated that it will issue additional revisions to its Interim Final Rules regarding PPP loan forgiveness and loan review procedures. Please stay tuned for more information!