

ALERT

SBA Rescinds Necessity Reviews for PPP Loan Forgiveness Applications

The SBA has now officially withdrawn the necessity reviews for PPP loans in excess of Two Million Dollars (\$2,000,000).

Beginning in November 2020, the SBA required borrowers whose PPP loan exceeded Two Million Dollars (\$2,000,000) to complete a Loan Necessity Questionnaire (the “LNQ”), SBA forms 3509 (for-profit borrowers) and 3510 (nonprofit borrowers). The LNQ was received negatively by the public due to its narrow focus and subjectivity, and because it saddled borrowers with an extra layer of paperwork and bureaucracy and delayed the processing of loan forgiveness applications.

On June 21, 2021, the SBA requested that the Office of Management and Budget rescind the LNQ requirement. The SBA indicated that, although the LNQs accomplished the intended effect of deterring program abuse by applicants and enhancing compliance with loan forgiveness conditions, the LNQs are burdensome on both lenders and borrowers, and eliminating the LNQs will reduce this burden and allow SBA to meet its obligation to process forgiveness decisions with the ninety (90)-day statutory timeline for forgiveness.

On July 2, 2021, the SBA officially advised lenders that they will no longer be required to obtain an LNQ from borrowers seeking forgiveness of PPP loans in excess of Two Million Dollars (\$2,000,000). The SBA intends to release an official FAQ shortly regarding this development.

The LNQ module on the SBA platform will be removed shortly. Borrowers whose PPP loan(s) exceed Two Million Dollars (\$2,000,000), but have not yet submitted an LNQ, do not need to take any action at this time. Borrowers who already submitted an LNQ in connection with their forgiveness applications and have an open request for additional information should close that request in the SBA platform and resubmit the application to the SBA.

PPP loans are still subject to SBA review, and borrowers should continue to retain all relevant information and documentation to support the application for, and administration of, their PPP loan(s). In reviewing an SBA loan application, the SBA may take into account the borrower’s circumstances both before and after the borrower’s necessity certification, in order to evaluate whether or not the certification was made in good faith.

If you have questions or would like further information regarding PPP loan forgiveness, please do not hesitate to contact us.



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