

MEMORANDUM

TO: Health Centers, PCAs, and HCCNs
FROM: Colleen Meiman, NACHC Senior Policy Advisor
DATE: December 3, 2020
RE: Health centers who received more than \$2 million under the Paycheck Protection Program are advised to hold off on applying for loan forgiveness

The purpose of this memo is to explain NACHC's recommendation that **health center who received more than \$2 million under the Paycheck Protection Program (PPP) loans should hold off on applying for loan forgiveness until further notice.**

Why is NACHC recommending that FQHCs whose PPP loans were more than \$2 million hold off on applying for loan forgiveness? In late October, the Small Business Administration issued [Form 3510](#), the "Loan Necessity Questionnaire", which all borrowers who received more than \$2 million in PPP loans must submit as part of their application for loan forgiveness. This Form asks questions intended to determine if the borrower actually needed the loan, and implies that loans that are not determined to be necessary based on this Form will not be eligible for forgiveness.

Form 3510 (and a similar form for for-profit firms) has raised many concerns across the small business and accounting community, as its definition of "necessity" is much different from – and tighter than – the definition both in the statute and in place at the time that borrowers applied for the loans. In response, NACHC and many other organizations – including the national association of CPAs – submitted comments raising serious concerns about these changes. We hope that the SBA will respond to these comments by revising Form 3510 to align with the original definition. Therefore, NACHC advises FQHCs whose PPP loans exceeded \$2 million to wait to apply for loan forgiveness until we know if and how the SBA will revise the form, to reduce the chance that they might be denied forgiveness.

Is the Small Business Administration guaranteed to revise Form 3510 to better reflect the initial definition of "loan necessity"? No. While the SBA accepted public comment on Form 3510, there is no requirement – or deadline – for them to revise it based on this feedback. However, if they fail to do so on their own, NACHC and many other organizations are expected to reach out to Congress to ask them to become involved.

NACHC recommends waiting to submit PPP forgiveness applications for loans over \$2 million "until further notice". Can you be more specific? Not yet, as we are waiting to see how the SBA responds to the public comments, and to potential Congressional involvement. However, we will continue to monitor the situation and keep the health center community informed of developments.

How long can health centers safely wait to apply for PPP loan forgiveness? Health centers will have through at least the summer of 2021 to apply for forgiveness without paying any interest on their PPP loan, and can wait until at least spring 2022 to apply if they are willing to pay interest starting in mid to late 2021. Per the [SBA's FAQs](#):

“Borrowers may submit a loan forgiveness application any time before the maturity date of the loan, which is either two or five years from loan origination. However, if a borrower does not apply for loan forgiveness within 10 months after the last day of the borrower’s loan forgiveness covered period, loan payments are no longer deferred and the borrower must begin making payments on the loan. For example, a borrower whose covered period ends on October 30, 2020 has until August 30, 2021 to apply for forgiveness before loan repayment begins.”

Also, the SBA FAQs define the “loan forgiveness covered period” as either”

“(1) the 24-week (168-day) period beginning on the PPP loan disbursement date, or

“(2) if the borrower received its PPP loan before June 5, 2020, the borrower may elect to use an eight-week (56-day) Covered Period. For example, if the borrower is using a 24-week Covered Period and received its PPP loan proceeds on Monday, April 20, the first day of the Covered Period is April 20 and the last day of the Covered Period is Sunday, October 4. In no event may the Covered Period extend beyond December 31, 2020.”

Does the recommendation to hold off on applying for PPP forgiveness apply to health centers whose PPP loans were for less than \$2 million? No. Borrowers whose PPP loans totaled less than \$2 million are not required to complete Form 3510, or otherwise to demonstrate that they needed the loan at the time they applied for it. These borrowers should apply for forgiveness as soon as they are able, and ideally before they must begin paying interest on the loan at some point in mid-to-late 2021.