

## PPP Loans Under \$2 Million Automatically Meet Good-Faith Certification

The SBA and Treasury Department announced today the following as it pertains to safe-harbor certification:

### **46. Question: How will SBA review borrowers' required good-faith certification concerning the necessity of their loan request?**

SBA, in consultation with the Department of the Treasury, has determined that the following safe harbor will apply to SBA's review of PPP loans with respect to this issue:

***Any borrower that, together with its affiliates, received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith.***

SBA has determined that this safe harbor is appropriate because borrowers with loans below this threshold are generally less likely to have had access to adequate sources of liquidity in the current economic environment than borrowers that obtained larger loans. This safe harbor will also promote economic certainty as PPP borrowers with more limited resources endeavor to retain and rehire employees. In addition, given the large volume of PPP loans, this approach will enable SBA to conserve its finite audit resources and focus its reviews on larger loans, where the compliance effort may yield higher returns.

For clients who have received PPP loans of more than \$2 million, we recommend that you clearly document the reasons supporting this certification. This could include an analysis of the following:

1. The current and projected impact of COVID-19 to the business, and the uncertainties surrounding those projections, including any communications from customers or clients regarding their level of business with the borrower and their respective economic conditions;
2. Recent history of the business and its performance in the wake of other economic downturns;
3. Existing levels of cash reserves or cash equivalents, and the borrower's ability to access other sources of capital and what the terms and conditions of such sources of capital might be;

4. Current or projected plans for retention or reduction of workforce or payroll costs of such workforce, and the ability of borrower to reinstate such workforce to pre-COVID-19 levels;
5. Reaction and measures taken by competitors to COVID-19;
6. Actions or measures that borrower is considering, or has already taken, to address the economic uncertainty outside of workforce or payroll reduction.

The full list of Paycheck Protection Program Loans Frequently Asked Questions from the Treasury Department can be [found here](#).

Please reach out to us with any questions you may have regarding certification.



Our team is working hard to keep our clients and our business affiliates updated on all things related to COVID-19. As a reminder, we have developed the Corrigan Krause Coronavirus Crisis Team (CKCCT) to help you receive the information and timely answers you need. Please reach out directly to our crisis team by sending an e-mail request to [ckcrisisteam@corrigankrause.com](mailto:ckcrisisteam@corrigankrause.com). The team will be notified of your inquiry and will respond directly to you within 24 hours.

[Visit our website](#) to see all of our recent COVID-19 updates.

**COVID Updates**

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