
Q&A Section 2130

Paycheck Protection Program (PPP)

The CARES Act, as amended, established the Paycheck Protection Program (PPP). The PPP involves a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The following question and answer addresses certain accounting matters for that program for lenders. Please refer to the [SBA website](#) for detailed information regarding the PPP.

.45 Accounting for Loan Repayment or Forgiveness by the SBA

Background

To receive loan forgiveness under the Paycheck Protection Program (PPP), a borrower must complete a loan forgiveness application and submit the required documentation to its lender. The lender must then issue a decision to the SBA on the loan forgiveness application not later than 60 days after receipt of a complete loan forgiveness application from the borrower. If the lender determines that the borrower is entitled to forgiveness of some or all of the borrowed funds, the lender must request payment from the SBA at the time the lender issues its decision to the SBA. The SBA will, subject to any SBA review of the loan or loan application, remit the appropriate forgiveness amount to the lender, plus any interest accrued through the date of payment, not later than 90 days after the lender issues its decision to the SBA. Upon receipt of the SBA payment, the lender will notify the borrower that the loan (or a portion of the loan) has been forgiven.

If the SBA determines in the course of its review that the borrower was ineligible for the PPP loan, the loan will not be eligible for forgiveness, and immediate payment will be required.

If a borrower does not submit a loan forgiveness application in accordance with the requirements of the PPP after a period of time following the end of the loan forgiveness covered period for all or a portion of the loan, the borrower must begin paying principal and interest after that period through the maturity of the loan for the amount of the loan that was not forgiven.

Inquiry — How should a lender account for the portion of the loan that is eligible for forgiveness during the settlement process, including the time period subsequent to the lender's determination that the borrower is eligible for forgiveness and through the receipt of payment from the SBA?



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Reply — The loan should continue to be accounted for as an interest-bearing loan (including amortization of loan origination fees — see section 2130.44) through receipt of payment from the borrower or the SBA. Payments received from the borrower or the SBA prior to maturity of the loan (other than required payments of principal and interest) are considered prepayments of the loan.

The SBA is considered one of the counterparties to the loan agreement that will repay the principal and accrued interest on the loan if the borrower provides the institution and SBA with documentation that it has met the conditions to have the loan forgiven. As a result, AICPA staff believe that payments received from the SBA should be treated similar to payments received from the borrower. When payment is received from the borrower or the SBA (either in full or in part) prior to the loan's maturity, amounts received should be accounted for as a prepayment, and unamortized loan origination fees should be accounted for in accordance with FASB ASC 310-20, *Receivables—Nonrefundable Fees and Other Costs*.

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