



This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

What Happens if a Paycheck Protection Program (“PPP”) Borrower Accidentally Receives Higher Loan Amount than Permitted under the Laws?

The Small Business Administration (“SBA”) issued a Procedural Notice CONTROL NO.: 5000-20078 on January 15, 2021 (the “Notice”) to provide guidance regarding when a borrower receives a higher loan amount than permitted under the CARES Act or the Consolidated Appropriations Act. The Notice describes three example errors that could cause this scenario, each one involves the borrower and lender acting in good faith: 1. borrower fails to reduce wages of those employees paid over \$100,000 and the lender doesn’t realize it when reviewing borrower’s paperwork; 2. borrower included payments to an independent contractor; and 3. lender inadvertently keys in the wrong loan amount. The Notice describes how these and other inadvertent mistakes must be addressed.

The borrower will not receive forgiveness for the portion of the loan that should not have been given to the borrower regardless as to whether it was the borrower or lender’s mistake. Once identified, the borrower must begin to make payments on that loan amount.

Your nonprofit should double-check its requested loan amount to make sure it’s accurate. Borrowers should also verify that the amount received is no more than the maximum amount request in their application. If your nonprofit received more than the maximum amount, talk to your lender. If your nonprofit holds onto the additional amount, that portion of the PPP loan will not be forgiven.

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