



May 5, 2020

Re: Updates on PPP Loan and May 7<sup>th</sup> Due Date

Dear Client:

It is stated in the SBA Frequently Asked Questions for Lenders and Borrowers (5/3/2020) FAQ # 31, that “all borrowers must assess their economic need for PPP loan under the standard established by the CARES Act and the PPP regulations at the time of the loan application...Borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business.”

[https://www.sba.gov/sites/default/files/2020-05/Paycheck-Protection-Program-Frequently-Asked-Questions\\_05%2003%2020.pdf](https://www.sba.gov/sites/default/files/2020-05/Paycheck-Protection-Program-Frequently-Asked-Questions_05%2003%2020.pdf)

In KSGA’s case, the firm has done the following to make this certification:

1. Compared the revenue from 2/15/2020 to 4/22/2020, the date when our PPP loan agreement was signed and the certification made, to the revenue from 2/15/2019 to 4/22/2019, and
2. Compared the drop in revenue between the two time periods against the requested PPP loan amount.

Since the drop in revenue exceeded our requested loan amount, we were able to make the certification in good faith.

If you cannot establish similar drop in revenue between 2020 to 2019, you should consider returning PPP money by May 7<sup>th</sup>, as you will have difficulty in supporting your certification that “taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business”.

In FAQ #39, “the SBA will review all loans in excess of 2 million, in addition to other loans as appropriate,...additional guidance...will be forthcoming.” Knowingly making false statement or certification in PPP is a crime, section t(vii) 4/2/2020 SBA Business Loan Program Temporary Changes; PPP.

So, what does this mean if you are a small business and the amount of your PPP loan is below \$2 million? It means that your chance of getting PPP loan has increased. Large businesses, not really impacted by COVID-19, will begin to return PPP money or will not apply for PPP loan. I am already hearing from my banker friends that there will be enough funds for small businesses, giving them hope in the system.

Please call us if you need help in assessing whether you should keep or return your PPP loans.

So, stay healthy, do social distancing and let’s flatten the curve.

Sincerely,

Steven Y.C. Kang, CPA  
Managing Partner  
KSGA, LLP

*Proverbs 15:23*

**Commitment-Integrity-Quality**

To You-Your Business-Our Principles

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