

SBA to Issue New Regulations for Paycheck Protection Program

President Donald Trump signed H.R.7010, the Paycheck Protection Program Flexibility Act, into law on June 5, 2020. The senate cleared the bill by voice vote on June 3rd after the House passed the bill on May 28, 2020.

The Small Business Administration (SBA), in consultation with the Department of Treasury, will promptly issue rules and guidance, a modified borrower application form, and a modified loan forgiveness application implementing legislative amendments to the PPP. These modifications will implement the following important changes:

- Extend the covered period for loan forgiveness from eight weeks after the date of loan disbursement to 24 weeks after the date of loan disbursement, providing substantially greater flexibility for borrowers to qualify for loan forgiveness. Borrowers who have already received PPP loans retain the option to use an eight-week covered period.
- Lower the requirements that 75 percent of a borrower's loan proceeds must be used for payroll costs and that 75 percent of the loan forgiveness must have been spent on payroll costs during the 24-week loan forgiveness covered period to 60 percent for each of these requirements. If a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.
- Provide a safe harbor from reductions in loan forgiveness based on reductions in full time equivalent employees for borrowers that are unable to return to the same level of business activity that the business was operating at before February 15, 2020, due to compliance with requirements or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration.
- Increase to five years the maturity of PPP loans that are approved by SBA (based on the date SBA assigns a loan number) on or after June 5, 2020.
- Extend the deferral period for borrower payments of principal, interest, and fees on PPP loans to the date that SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan).
- In addition, the new rules will confirm that June 30, 2020, remains the last date on which a PPP loan application can be approved.