

# PAYCHECK PROTECTION PROGRAM FLEXIBILITY ACT OF 2020

## Substantial Enhancements to PPP

On Friday, June 5th the Paycheck Protection Program Flexibility Act (PPFPA) of 2020 was signed, which made several enhancements to the Paycheck Protection Program. The new law amends provisions of the CARES Act specifically related to forgiveness of the loans under the PPP. As its name suggests, PPFPA aims to reduce restrictions for loan recipients to ultimately obtain loan forgiveness.

### ▶▶ USES ◀◀

Under PPFPA the amount of payroll costs in order to receive loan forgiveness is decreased from 75% of the covered loan amount to 60%. Up to 40% may be used for debt obligations, including mortgage interest, rent or utility payments.

### ▶▶ FORGIVENESS ◀◀

Up to 100% with approval. Covered period extended from June 30, 2020 to December 31, 2020, and use of loan proceeds from 8 weeks to 24 weeks.

### ▶▶ EMPLOYEE REHIRE DEADLINE ◀◀

Extended from June 30, 2020 to December 31, 2020 to rehire employees in order to have their salaries and wages count under payroll costs.

### ▶▶ SAFE HARBOR ◀◀

Provides a safe harbor from rehire requirements if the business owner can document their inability to hire employees for unfilled positions by December 31, 2020 or their inability to return to the same level of business activity because of federal COVID requirements pertaining to social distancing, sanitation, and worker safety.

### ▶▶ DEFERRAL PERIOD ◀◀

Extended 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 forgiveness covered period).

### ▶▶ PAYROLL TAXES ◀◀

Delays the payment of employer payroll taxes for Social Security until January 1, 2021 for PPP borrowers.

### ▶▶ COLLATERAL ◀◀

No collateral required

### ▶▶ AMOUNT ◀◀

2.5 x average of prior 12 months

### ▶▶ TERMS ◀◀

1% interest rate on unforgiven portion; Maturity of all PPP loans approved on or after June 5, 2020 will be 5 years; PPP loans approved and/or funded prior to June 5, 2020 with the 2-year maturity may be extended by the lender and borrower agreeing to a 5-year maturity.

\*Funds are still available for the PPP program. Small businesses must contact an eligible SBA approved lender and apply by June 30.



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