

New Law Modifies Paycheck Protection Program Rules

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Today President Donald Trump signed into law H.R. 7010, also known as the Paycheck Protection Program Flexibility Act (PPPFA), to modify certain aspects of the Paycheck Protection Program (“PPP”) created under the CARES Act.

The key changes are the following:

1. Reduces the percentage of the PPP loan that can be used to cover payroll costs from 75% to 60%;
2. Extends the period to use the funds to be eligible for PPP loan forgiveness from 8 weeks to 24 weeks;
3. Modifies the deadline to rehire workers to be eligible for PPP loan forgiveness from June 30, 2020 to December 31, 2020;
4. Extends the repayment term of the remaining balance of the PPP loan from 2 years to 5 years;
5. Creates additional exemptions from the forgiveness reduction calculation if the recipient is:
 - unable to rehire former employees,
 - unable to hire similarly qualified employees, or
 - unable to return to the same level of business activity due to compliance with federal requirements or guidance related to COVID-19; and
6. Defers the repayment of the remaining balance of the PPP loan until the SBA remits the forgiveness amount to the lender.

It is expected that the SBA and the U.S. Treasury Department will issue guidelines and Q&As to conform the PPP pursuant to the PPPFA. We will continue to monitor developments and keep you informed.

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