Update 4 on the Paycheck Protection Program Flexibility Act

June 16, 2020

On June 5, the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) was signed into law, the full Interim Final Rule can be found here.

This Act provided for 3 changes to the existing PayCheck Protection Program related to the following:

- Increased the "covered period" from 8 weeks to 24 weeks
- Decreased the required percentage that must be used for payroll costs (in order for the loan to be forgiven) from 75% to 60%
- Increased the term of any non-forgiven amount for loans originated after June 5, 2020

The following changes will apply to any PPP Loan originated between March 27th and June 30th

- Covered Period increased from 8 weeks to 24 weeks
  - Borrowers now have up to 24 weeks to meet the requirements of the covered period which laid out how dollars must be spent in order to be considered for forgiveness
- Decreased Payroll Percentage and Flexibility Detailed
  - The SBA has decreased the required percentage that must be attributed to payroll associated costs from 75% down to 60%. As long as the borrower can prove that 60% or more of the loan proceeds were used for payroll associated costs, and the remaining 40% were used for other "approved" purposes, the full amount can be forgiven.
  - If a borrower spends less than 60% on payroll costs, the dollars spent on payroll can still be forgiven. For example, if a PPP loan was made for $100,000 and during the covered period the borrower spends $54,000 (54%) on payroll costs, the maximum amount of loan forgiveness falls to $90,000. (with $54,000 in payroll constituting 60% of the forgiveness amount and $36,000 in non-payroll costs constituting 40% of the forgiveness amount)
  - No changes to PPP Loan use proceeds have been made – proceeds can be used for:
    - payroll costs (as defined in the Act)
    - costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
    - mortgage interest payments
    - rent payments
    - utility payments

        - interest payments on any other debt obligations that were incurred before 2/15/2020 and / or
        - refinance of an SBA EIDL loan made between 1/31/2020 and 4/3/2020
- Increased Deferment Period
    - If you submit your loan forgiveness application within 10 months of the end of the “covered period”, you will not have to make any principal or interest payments on your loan before the date on which the SBA remits the loan forgiveness amount to your lender (or notifies the lender that no forgiveness is allowed). Interest will continue to accrue during the deferment period.

For loans made after June 5, 2020, the Flexibility Act made the following changes

- The maturity date on loans made on or after June 5, 2020 is now 5 years (versus the 2 years on all loans made prior)
- For loans made before June 5, 2020; borrowers and lenders may mutually agree to extend the maturity of such loans to five years

There are still a few details that the SBA is expected to provide in the coming days, however they should not materially change what is in the Act as described above.

Please reach out to your Commercial Banker, Branch Manager, or call our call center at 1-800-650-8723 if you have any questions.