



Paycheck Protection Program Flexibility Act

June 4, 2020

Last night the Senate passed HR 7010, the Paycheck Protection Program Flexibility Act. We expect that the bill will be signed into law by the president.

This bill makes a number of changes that could impact when and how organizations spend PPP loan funds. Significant changes include:

- The percentage of loan proceeds that must be spent on payroll costs for loan forgiveness has dropped to 60%. The remaining 40% can be used to pay interest on eligible mortgage obligations, rent obligations or other covered utility payments.
- Borrowers now have until December 31, 2020 to apply for a loan.
- Borrowers have until the earlier of 24 weeks from loan origination or December 31, 2020 to use the money loaned to them.
- If a borrower fails to apply for forgiveness within 10 months after the last day of the covered period (24 weeks/December 31, 2020), the recipient must make payment of principal, interest and fees beginning at the onset of that 10-month mark.
- The period for loan repayment has been extended to five years.
- For those portions of the loan not forgiven, the loan repayment deferral period has been extended to up to one year without payments.

Also with HR 7010, a borrower's loan amount that is eligible for forgiveness will **not be reduced** due to the following factors:

- a reduction in the number of full-time equivalent staff if the borrower cannot hire back the same employee or a suitable replacement, or
- a demonstrated inability to return to the same level of business activity as the business was operating prior to February 15, 2020. This must be due to compliance with requirements or guidance issued by The Department of Health and Human Services, The Centers for Disease Control or OSHA between March 1 and December 31, 2020 related to worker or customer safety.

We will continue to update our [COVID-19 microsite](#) with additional information on legislation.