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PRESIDENT TRUMP SIGNS THE PAYCHECK PROTECTION FLEXIBILITY ACT WHICH PASSED BOTH HOUSES OF CONGRESS EARLIER THIS WEEK AMENDING THE PPP

Today, President Trump signed into law the amendment to the Paycheck Protection Program passed by both Houses of Congress earlier this week. The U.S. Senate passed the House version of the Paycheck Protection Flexibility Act on Wednesday night tripling the time allotted for small businesses and other PPP loan recipients to spend funds and still qualify for forgiveness of the loans. It is intended to make loans more accessible under the PPP program by making its terms of use more flexible.

The bill passed in the House by a vote of 417-1, and received a unanimous voice vote in the Senate hours after Wisconsin Sen. Ron Johnson, who initially blocked it, agreed to drop his objections. Senator Johnson dropped his objections after Senate Majority Leader Mitch McConnell agreed to a clarification that June 30 remains the deadline for applying for a PPP loan.

Among other things, here's what this new bill accomplishes:

- **It extends the forgiveness period to 24 weeks** (the bill will give small businesses more time to use emergency loans under the program by extending the eight-week period in which they must use the money to qualify for loan forgiveness to 24 weeks)
- **It replaces the 75/25 rule with a 60/40 rule** (the bill would also give small businesses more flexibility by changing the so-called 75/25 rule, which requires recipients of funds under the program to use three-quarters of the money for payroll costs and to limit other costs to no more than 25% in order to be eligible for loan forgiveness. The new ratio would be at least 60% on payroll and no more than 40% on other costs)
- **All new PPP loans will receive a 5-yr maturity.** Existing loans will remain at a 2-year maturity unless the lender and borrower both agree to extend the repayment period to five years. The interest rate remains at 1%
- Borrowers can use the 24-week period to restore their workforce levels and wages to the pre-pandemic levels required for full forgiveness. This must be done by December 31, a change from the previous deadline of June 30

- The bill includes two new exceptions allowing borrowers to achieve full PPP loan forgiveness even if they don't fully restore their workforce:
 - The forgiveness amount will not be reduced if an employer can document an inability to rehire employees by the end of 2020 (this will help ensure that businesses won't suffer due to increased unemployment benefits discouraging employees from returning to work)
 - The amount forgiven may not be reduced if the borrower can show an inability to restore business operations to February 15, 2020, levels due to Covid-19 related operating restrictions
- It allows businesses that receive forgiveness to also receive payroll tax deferment