

GILL RAGON OWEN

— ATTORNEYS —

425 W. Capitol Ave, Suite 3800, Little Rock, AR 72201

www.gill-law.com • (501) 376-3800

SBA ISSUES GUIDANCE IMPLEMENTING PPP FLEXIBILITY ACT AND STREAMLINED FORGIVENESS APPLICATION

Last week, the Small Business Administration issued revised guidance on the Paycheck Protection Program in response to the the enactment of the Paycheck Protection Program Flexibility Act (the “Flexibility Act”). The SBA also released a simplified three-page [application](#) that certain borrowers may use to apply for forgiveness. The revised guidelines implemented the following key changes:

- **Covered Period**

- The “covered period” was extended from eight to twenty-four weeks. Borrowers whose loans were made before June 5 may elect to apply the original eight-week period or the extended twenty-four-week period. Loans made on or after June 5 will be subject to the twenty-four-week covered period, which could delay final confirmation on forgiveness.
- The period for a borrower’s good faith attempts to rehire employees is extended from June 30 to December 31.

- **Loan Forgiveness**

- The Flexibility Act reduced the forgiveness requirement that 75% of funds be spent on payroll costs to 60%. The language in the Flexibility Act indicated that 60% threshold operated as a cliff, meaning no portion of the loan would be eligible for forgiveness if less than 60% of proceeds were spent on payroll costs. The revised rule clarifies that the 60% threshold is not a cliff, and borrowers may proportionally reduce the total forgiveness amount if less than 60% of funds are spent on payroll costs.

- **Maturity Date**

- The maturity date for loans made on or after June 5 is five years.
- For loans made before June 5, 2020, the maturity date remains two years, unless borrowers and lenders mutually agree to extend the maturity of the loans.

- **Deferral Period**

- The deferral period was extended from six months to ten months. Borrowers who submit forgiveness applications within ten months after the end of their covered period will not have to make payments of principal or interest.

Simplified Forgiveness Application

The SBA unveiled a simplified “EZ” application that certain borrowers may use to seek loan forgiveness. This application is available for: (1) borrowers who are self-employed and have no employees; (2) borrowers who did not reduce the salaries or wages by more than 25% and did not reduce the number or hours of their employee; and (3) borrowers who experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%. The EZ application is available [here](#). The SBA also revised the [long-form application](#) for conformity with the Flexibility Act.

For more information on this program, and other COVID-19 related topics, please review our COVID-19 Resources page here: <https://www.gill-law.com/covid-19-resources/#>