

June 15, 2020

Dear Valued PPP Borrower,

Recent PPP Loan Legislation

On June 5, President Donald Trump signed legislation to address restrictions on the Small Business Administration's (SBA) Paycheck Protection Program (PPP).

While further guidance and clarification from the SBA and Treasury is likely, here is a summary of the provisions that appear in the Paycheck Protection Program Flexibility Act.

Specifically, the law:

- Extends the covered period during which the loan may be used for forgivable expenses **from 8 weeks** following disbursement of the loan **to 24 weeks** from loan disbursement or Dec. 31, 2020, whichever is earlier. Borrowers who received loans before June 5 may elect to continue using the eight-week covered period.
- **Lowers the amount that must be spent on payroll costs from 75 percent to 60 percent.** SBA and Treasury issued a statement that the new 60 percent threshold is not a cliff, meaning that if a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.
- **Extends the period in which employers may rehire or eliminate a reduction in employment, salary, or wages that would otherwise reduce the forgivable amount of a PPP loan to Dec. 31, 2020.** However, the forgivable amount will be determined without regard to a reduction in the number of employees (compared to Feb. 15, 2020) if the recipient is (1) unable to rehire former employees and is unable to hire similarly qualified employees by Dec. 31, or (2) unable by Dec. 31 to return to the same level of business activity that existed before Feb. 15, 2020, due to compliance with federal requirements or guidance related to COVID-19.
- **Replaces the six-month deferral of payments due under PPP loans with deferral until the date SBA pays the lender the amount of loan forgiveness.** If a borrower fails to apply for loan forgiveness within 10 months after the last day of the covered period for forgiveness, the borrower must begin to make payments of principal, interest, and fees on its PPP loan.

- Establishes a minimum maturity of five years for **new PPP loans** as opposed to the current two-year maturity date. The five-year maturity takes effect on the date of enactment and will apply to any PPP loan **made on or after June 5**. Lenders and borrowers, however, may mutually agree to modify the maturity terms of prior-disbursed PPP loans.
- Eliminates a provision that makes PPP loan recipients who have PPP debt forgiven ineligible to defer payroll tax payments.

This law will likely be subject to additional guidance by SBA and Treasury. As of June 12th, a bipartisan group of 44 senators urged the Treasury Department and SBA to make the PPP Loan Forgiveness process less complex.

As this is a very fluid process, we would highly suggest you remain patient and stay tuned for potential changing guidance. We will continue to stay abreast of any changes and let you know when to proceed with the Forgiveness Application.

Furthermore, we are working on a Forgiveness Application solution to assist you that will also integrate into our “verification” requirement.

Once again, we thank you for allowing The First Trust & Savings Bank to be your financial partner!

First Trust and Savings Bank
Loan Department