

Published Articles

SBA Announces Rule Governing Paycheck Protection Program

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Greenbaum, Rowe, Smith & Davis LLP Client Alert

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On April 2, 2020, the Small Business Administration (SBA) issued its Paycheck Protection Program (PPP) Interim Final Rule, which makes some key changes to the implementation of the PPP program announced in Sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Interim Final Rule sets final loan terms that are also important to note.

The PPP Interim Final Rule provisions are as follows:

- 75% of the loan proceeds must be used for payroll costs
- Loan amount is based on employees. Independent contractors are not counted as employees; independent contractors can, however, apply for their own loan
- Possible personal recourse for misuse of funds
- Loans are on a “first come, first served basis” until funds are exhausted, highlighting the importance of expediting application submissions
- The term of the loan will be two years
- The interest rate will be 1%
- Principal and interest will be deferred for six months, but interest will continue to accrue; the potential for up to a one-year deferral no longer exists
- No more than 25% of non-payroll costs may be forgiven under the loan forgiveness provisions of the CARES Act
- Lenders permitted to make loans include all SBA Section 7(a) approved lenders, all federally insured depository institutions, and all federally insured credit unions, among other institutions provided for in the rule

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We continue to monitor developments regarding the PPP program and will keep you informed. If you have any questions, please contact the following individuals:

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