



Changes to the Paycheck Protection Program (PPP)

Expanded eligibility and more flexible forgiveness rules

Q: Is there a lower threshold for loan forgiveness?

A: Yes. Originally, small business owners had to spend 75% of PPP funds on payroll in order to be eligible for full loan forgiveness. In June, Congress passed the PPP Flexibility Act, lowering the threshold to 60%. PPP loans can be used for four purposes: payroll, mortgage interest, rent/lease, and utilities. At least 60% of the loan must go to payroll in order for loans to be fully forgiven.

Q: Do I have more time to use my PPP loan?

A: Yes. Small business owners now have 24 weeks *or* until December to use PPP funds (whichever comes first). Originally, PPP loans had to be used within 8 weeks (before the end of June).

Q: Do I have more time to rehire employees?

Yes. Small business owners now have until the end of December 2020 to rehire workers and have their salaries count towards loan forgiveness. Originally, small business owners had to rehire their workers by June 30.

Q: What if I can't rehire my employees?

Under the changes to the PPP, small business owners who can't rehire workers still may be eligible for full loan forgiveness. Small business owners can apply for "safe harbor" in two situations: 1) if compliance with public health or occupational safety orders prevents a return to pre-pandemic operations, or 2) if they can show that they were unable to replace former employees with similarly qualified new hires.

Q: When do I need to apply, to have my loan forgiven?

Small business owners now have 10 months to submit a forgiveness application before they have to start paying back the loan. The 10 month period starts the day the borrower's PPP funding expires. For example, if a small business owner's PPP loan is disbursed on June 25, 2020, the 24-week period ends on December 10, 2020. If the borrower does not submit a loan forgiveness application to its lender by October 10, 2021, the borrower must begin making payments on or after October 10, 2021.

Q: How long do I have to finish paying back my PPP loan?

Up to five years. Loans initiated after June 5, 2020 have a maturity period of five years. Originally, there was a two-year maturity for PPP loans, but interested small business owners who received PPP loans before June 5 may renegotiate their loans through their banks with no penalty.

Q: Do I have more time to apply for a PPP loan?

No. Small business owners must still apply for the program by June 30.

Q: Are these all of the changes? What else do I need to know?

The Small Business Administration (SBA) is revising PPP rules on a regular basis as new issues are identified. Fortunately, there are great, free resources available for small business owners. Please check out [the Emergency Business Resources](#) page at the Greater Irvine Chamber of Commerce and these [daily webinars from Small Business Majority](#). Please also monitor communications from your bank, which will likely be sending you updates based on program changes made by SBA. Finally, if you have any questions or concerns, don't hesitate to contact my office.

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