

**Summary of Paycheck Protection Program  
Flexibility Act of 2020**

**[H.R. 7010](#)**

The Paycheck Protection Program Flexibility Act of 2020 amends the Paycheck Protection Program (PPP) to give borrowers more freedom in how and when loan funds are spent while retaining the possibility of full forgiveness. In mid-June 2020, the Small Business Administration (“SBA”) released revised guidance on implementing the Paycheck Protection Program Flexibility Act (“PPFPA”), loan forgiveness applications, and eligibility for loans. The summary of enhancements and updated documents are what follows.

**The PPP Flexibility Act amends the Paycheck Protection Program to give borrowers more time to spend loan funds and still obtain forgiveness.** Under previous PPP loan guidance, borrowers had eight weeks from the time they received the first loan installment to spend the funds. The PPP Flexibility Act of 2020 lets them extend that period to 24 weeks (but not beyond Dec. 31, 2020). They also have the option to keep the original eight-week spending period if they already had their loan before enactment of the Act. Under the new timeline, full forgiveness is still possible.

**The Act also reduces mandatory payroll spending from 75% to 60%.** The original PPP loan guidelines mandated that 75% of any forgiven amount had to be spent on payroll costs. The Flexibility Act reduces required payroll expenditures to 60% of the loan amount with up to 40% of the loan amount used for mortgage interest, rent, or utility payments to obtain full loan forgiveness of that amount. Or, part of the loan can be forgiven provided the borrower maintains the same 60/40 ratio for the amount forgiven. This change reflects complaints from many businesses that their payroll costs went down as employees were laid off but fixed costs like rent did not.

**Two new exceptions let borrowers obtain full forgiveness even without fully restoring their workforce.** Under the PPP Flexibility Act borrowers can still achieve full forgiveness even if they do not fully restore their workforce. These are in addition to previous guidance that let companies exclude workers who turned down good faith offers of re-employment. Borrowers can now also reduce workforce requirements based on the inability to find qualified employees or if they were unable to restore operations to Feb. 15, 2020, levels due to COVID-19 restrictions.

In addition, borrowers can now use the new 24-week period to restore their workforce to pre-COVID-19 levels to obtain full forgiveness. The new deadline to achieve this is Dec. 31 vs. the previous deadline of June 30.

**Time to pay off the loan has been extended to five years from the original two.** The PPP loan repayment period has been extended to five years from the original two while retaining the original 1% interest rate. This gives borrowers more time to pay off the unforgiven portion of their loan.

The payment deferment period (principal, interest, fees) is now extended from six months after the end of the covered period to the date the SBA sends the borrower's loan forgiveness amount to the lender.



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If the borrower does not apply for forgiveness, the deferral period lasts until 10 months after the end of the covered period according to guidance issued by the SBA.

**The Act now allows businesses delay paying payroll taxes even if they took a PPP loan.** The PPP Flexibility Act of 2020 lets businesses that took a PPP loan also delay paying their payroll taxes. This was not allowed under the original CARES Act.<sup>1</sup>

**The June 30, 2020 application deadline for a PPP loan remains in effect and was not changed under the new law.**

## Loan Forgiveness Applications

On June 17, the SBA released two new loan forgiveness applications. The Full Forgiveness Application is a much shorter, borrower-friendly application which accounts for changes made by the PPPFA. The even more simple EZ Forgiveness Application requires less calculations and documentation and offers a streamlined process for certain eligible borrowers that:

- Are self-employed and have no employees; or
- Did not reduce the number of employees and did not reduce employee compensation by more than 25%; or
- Experienced a decline in business activity because of health directives related to COVID-19 and did not reduce employee compensation by more than 25%.

The revised applications and instructions can be found here:

[Full Application](#)

[Instructions for Full Application](#)

[EZ Form](#)

[EZ Form Instructions](#)

**Other Resources:**

[FAQ for Lenders and Borrowers](#)

[Coronavirus: Small Business Guidance & Loan Resources](#)