



BULLETIN #118/2020 OCTOBER 9, 2020

CORONAVIRUS UPDATE #91

PAYCHECK PROTECTION PROGRAM (PPP) GUIDANCE UPDATES

[The following is provided courtesy of your Association's accounting partner, O'Connor & Drew.]

Simplified Forgiveness for Loans \$50,000 or Less. Late on October 8, the Small Business Administration (SBA) released guidance providing simplified forgiveness procedures for Paycheck Protection Program (PPP) loans of \$50,000 or less. Borrowers with loans that meet the \$50,000 or less threshold are exempt from having their loan forgiveness reduced by a decrease in full-time equivalents (FTE) or by a decrease in the rate of pay of employees during the covered period. Impacted borrowers must still apply for forgiveness and provide supporting documentation, but may use the new Form 3508S. The guidance release may be found [here](#). Form 3508S may be accessed [here](#) along with the [instructions](#).

Borrowers with Change in Ownership. Last week, the SBA released a procedural notice providing guidance on the procedures for changes in ownership of an entity that has received a PPP loan. The notice may be accessed [here](#). This guidance informs borrowers and lenders of requirements when buying or selling a business that has a PPP loan. Businesses involved in these transactions should review the notice ahead of closing on the transactions to ensure compliance with lender and SBA disclosures.

FAQ Loan Deferral Period. The PPP Flexibility Act, enacted in June, changed the repayment deferral period on PPP loans from the original six-month period to the earlier of either (1) ten months after the end of the borrower's covered period, or (2) when the SBA finishes reviewing the borrower's loan forgiveness application and remits forgiveness to the lender. While this favorable change applied retroactively to all PPP loans, some lenders have still been asking borrowers to adhere to the original six-month loan deferral period.

FAQ #52, released earlier this week, may be cited to lenders as support that all PPP loans receive the more lenient loan deferral terms.

52. Question: The Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) extended the deferral period for borrower payments of principal, interest, and fees on all PPP loans to the date that SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period). Previously, the deferral period could end after 6 months. Are lenders and borrowers required to modify promissory notes used for PPP loans to reflect the extended deferral period?



Answer: The extension of the deferral period under the Flexibility Act automatically applies to all PPP loans. Lenders are required to give immediate effect to the statutory extension and should notify borrowers of the change to the deferral period. SBA does not require a formal modification to the promissory note. A modification of a promissory note to reflect the required statutory deferral period under the Flexibility Act will have no effect on the SBA's guarantee of a PPP loan.

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