



Increased Flexibility Coming to Paycheck Protection Program Under New Law

On June 5, the President signed into law [The Paycheck Protection Program Flexibility Act \(H.R. 7010\)](#), following its nearly unanimous passage in both chambers of Congress. The Paycheck Protection Program (PPP) provides loans via the Small Business Administration (SBA) of up to 2.5 times the borrower's average monthly payroll costs, not to exceed \$10 million, to cover payroll support, such as employee salaries, paid sick or medical leave, insurance premiums, and mortgage, rent, and utility payments. Currently, if all employees are kept on payroll for eight weeks, SBA will forgive the portion of the loans used for payroll, rent, mortgage interest, or utilities. Up to 100 percent of the loan is forgivable.

The new law provides additional flexibility for recipients of PPP loans via the following key provisions:

- Provides more time to use emergency loans, extending the original eight-week period where entities needed to use the money to qualify for loan forgiveness to 24 weeks.

- Changes the original 75/25 rule, which required funding recipients to use 75% of the money for payroll costs and to limit other costs to no more than 25% to qualify for loan forgiveness. The new proportion is at least 60% on payroll and no more than 40% on costs.
- Eases the rehire requirement based on inability to rehire former or similarly qualified employees, or possible inability to return to operations levels.
- Extends the rehiring deadline to December 31, 2020.
- Increases the maturity timeline for new loans from two years to five.
- Defers payments of principal, interest, and fees until the date the lender receives payment for the forgiven amount of the loan, or 10 months after the end of the covered period.
- Makes PPP participants eligible for employee payroll tax deferral.

While there is approximately \$100 billion - \$120 billion in PPP funds remaining, the money is expected to be allocated very quickly. If you qualify for a PPP loan and still need to apply, we encourage you to do so as soon as possible. You can access the application form via [the program's webpage](#) on the Small Business Administration website. Please note that this application form may change soon, given the updates to the terms of the loans under the new law, so be sure to verify with your financial institution that you are using the most up-to-date form.

We anticipate additional questions about the rollout of this law to be addressed in a Senate Finance Committee [hearing to be held tomorrow](#), June 9, and will update you as we learn more about the potential impact of this law. You may also find more information about the Paycheck Protection Program and other federal funding opportunities linked to coronavirus relief on [our continually updated webpage](#).

For further information, please contact Sarah Dobson, Director of Public Policy and Advocacy, at sdobson@lutheranservices.org or 202-499-5832.

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Main: 202-499-5836
Toll-free: 800-664-3848
Fax: 202-544-0890

lsa@lutheranservices.org



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