

## **H.R. 7010, Paycheck Protection Program Flexibility Act of 2020**

1. Increases the current limitation on nonpayroll expenses (such as rent, utilities, mortgage interest) for loan forgiveness from 25 to 40%
  - a. HR 7010 as introduced completely eliminated the 75/25 rule created by the SBA which mandated that 75% of loan proceeds go toward payroll expenses. After some complaints by both sides of the aisle, the legislation was amended to 60/40.
2. Removing Retroactivity on the increase of maturity period from 2 to 5 years
  - a. New language negotiated removes retroactive application of the minimum maturity of 5 years. PPP loans entered into prior to PPPFA will no longer be automatically moved to 5 year maturity, though PPP recipients may seek to renegotiate their terms with lenders
3. Clarifies Safe Harbors Language
  - a. New language clarifies the Safe Harbor forgiveness exemption to ensure that employers provide documentation when unable to rehire employees, and to clarify an “inability to return to the same level of business activity,” refers explicitly to compliance with HHS, CDC, OSHA standards on social distancing or any other worker or customer safety requirement related to COVID-19.
4. Extended borrower deferral
  - a. Extended payment deferral on principal and interest so that a borrower does not have to make a payment until forgiveness determination is granted by the SBA. Under SBA guidance, a lender has 60 days to process loan forgiveness and the SBA then has an additional 90 days to approve and grant forgiveness. Combined with the new 24 week period, this will now give borrowers up to 11 months of payment deferral.