Paycheck Protection Program Flexibility Act of 2020

On June 3, 2020, Congress passed the Paycheck Protection Program Flexibility Act of 2020, which is expected to be signed by the President in the coming days. This Act contains important changes to the requirements for forgiveness of your Paycheck Protection Program (“PPP”) Loan. We are awaiting further guidance from the Small Business Administration and Department of the Treasury, but Western Alliance Bank wanted to make you aware of the following information as it may impact your decisions on how to spend PPP proceeds and when and how to rehire employees. These provisions remain subject to modification or clarification.

The changes implemented by the new Act will include:

- The “covered period” during which PPP Loan expenses may be incurred and spent has been extended from 8 weeks after loan origination to the period beginning on the date of loan origination and ending 24 weeks after origination. You may elect for the covered period applicable to your PPP Loan to end on the date that is 8 weeks after the date of origination.
- The amount of loan forgiveness will be determined without regard to a reduction in the number of full-time equivalent employees or a reduction in the salary of 1 or more employees between February 15, 2020 and April 26, 2020, if:
  - Not later than December 31, 2020 (extended from June 30, 2020), you have eliminated the reduction in the number of full-time employees; or
  - Not later than December 31, 2020 (extended from June 30, 2020), you have eliminated the reduction in the salary or wages or such employees.
- To receive forgiveness, you must use at least 60% (rather than 75%) of PPP loan amounts for payroll costs and you may use up to 40% (rather than 25%) for any payment of interest on any covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation), any payment on any covered rent obligation, or any covered utility payment.
- The deferral period during which you do not need to make payments of principal or interest has been extended from six months after funds are disbursed to the date on which the amount of
forgiveness is remitted to us. If you do not apply for forgiveness within 10 months after the covered period, you will begin making payments of principal, interest, and fees no earlier than 10 months after the last day of the covered period.

Western Alliance Bank will continue to keep you informed of further developments as we receive additional guidance. We cannot provide advice to specific borrowers, and recommend that you consult with your accountants and attorneys.

Sincerely,

Tim Boothe
Chief Operating Officer, Western Alliance Bank

*Information included in this email regarding the Act can be found here: https://www.congress.gov/bill/116th-congress/house-bill/7010/text