

## SBA PUBLISHES "INTERIM FINAL RULE" REGARDING THE PAYCHECK PROTECTION PROGRAM

The SBA has published its "Interim Final Rule" regarding the Paycheck Protection Program ("PPP"). It explains in detail how the SBA intends to implement the program and clarifies certain requirements. The SBA has also published a "Final Borrower Application Form." These documents and others related to the PPP can be obtained directly from the Department of Treasury website:

<https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>



Some key takeaways from the Interim Final Rule:

- **At least 75% of the loan proceeds must be used for payroll costs.**
- The interest rate for PPP loans is 1%.
- The loan term is 2 years.
- Payments will be deferred for 6 months. Interest will accrue during that time. However, it appears that accrued interest on principal that is forgiven may also be forgiven.
- Independent contractors can apply for their own loans. Therefore, a business may not count its independent contractors (i.e., 1099 "employees") as part of "payroll costs."
- An applicant must submit SBA Form 2483 (the Application Form) and payroll documentation. Lenders must confirm the dollar amount of the applicant's average monthly payroll costs for the preceding calendar year by reviewing payroll documentation submitted with the application.
- The SBA will be paying the lender fees, and the fees usually paid by a borrower to the SBA are waived.
- The lender does not need to verify borrower documentation supporting a request for forgiveness. The borrower must attest that it has accurately verified payment of eligible costs.
- If loan proceeds are used for unauthorized purposes (e.g., other than payroll, rent, mortgage interest or utilities), the money must be repaid and the borrower (and its owners) may be subject to liability for fraud.

This memo is intended only as a general overview. If you have any questions or would like legal advice regarding SBA loans, or any other employment issues, please contact [David Lawrence](#), [Sarah Gidley](#) or [Stacey DiDomenico](#).