



CARES Act: Small Business Loan Program Update

Insights

April 3, 2020

Department of Treasury Releases Updated Paycheck Protection Program Fact Sheet and Loan Application; SBA Publishes Interim Final Rule on Paycheck Protection Program

Yesterday, the U.S. Department of the Treasury released an **updated application** for small business loans under the new \$349 billion Paycheck Protection Program (“PPP”), as well as an **updated fact sheet** reflecting an increase in the interest rate of the loans from 0.5% to 1.0%.

The PPP was created by the Coronavirus Aid, Relief and Economic Security (“CARES”) Act enacted on March 27 and is being administered by the U.S. Small Business Administration (“SBA”). Also yesterday, the SBA issued an **interim final rule** on the implementation of the PPP.

The updated application has been revised so that only the borrower—and not the owners of 20% or more of the borrower—will make the certifications in the application. Also, under the SBA’s interim final rule, the company is now *required* to use at least 75% of the loan for payroll costs. Previously, this was only required to the extent the borrower planned to seek forgiveness of the loan.

Companies considering applying for PPP loans should reach out to their existing lending relationships to find out whether those lenders will be participating in the program, when they expect to begin accepting and processing applications, and what materials the banks will require in support of the application.

Venture capital-funded companies should also consider the applicability of the SBA's affiliation rules for determining SBA company-size qualification to their particular circumstances before they submit a PPP loan application. The SBA's interim final rule states that the SBA will “promptly issue additional guidance” on the affiliation rules.

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