

Navigating the COVID-19 Crisis: PPP CARES Act Loans

What You Need to Know About the Latest Changes, Loan Forgiveness and What's Coming Next

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The State of Funding

Loan Count	Net Dollars	Lender Count
5,005,261	\$519,505,881,228	5,458

Amount of Funds Remaining: \$130,096,258,496

Loans by Loan Size

Loan Size	Loan Count	Net Dollars	% of Count	% of Amount
\$50K and Under	3,380,772	\$60,125,452,743	67.5%	11.6%
>\$50K - \$100K	676,556	\$48,168,785,076	13.5%	9.3%
>\$100K - \$150K	291,673	\$35,700,297,609	5.8%	6.9%
>\$150K - \$350K	375,631	\$84,304,078,038	7.5%	16.2%
>\$350K - \$1M	198,810	\$113,068,370,469	4.0%	21.8%
>\$1M - \$2M	52,977	\$73,534,430,250	1.1%	14.2%
>\$2M - \$5M	24,165	\$71,922,829,101	0.5%	13.8%
>\$5M	4,677	\$32,681,637,943	0.1%	6.3%

*** Overall average loan size is: \$104K.**

Loans by NAICS Industry Sector


NAICS Sector Description	Loan Count	Net Dollars	% of Amount
Health Care and Social Assistance	516,495	\$67,103,739,655	12.92%
Professional, Scientific, and Technical Services	654,344	\$66,203,641,832	12.74%
Construction	477,478	\$64,463,185,787	12.41%
Manufacturing	232,871	\$53,822,176,226	10.36%
Accommodation and Food Services	373,689	\$42,109,312,313	8.11%
Retail Trade	458,069	\$40,252,744,511	7.75%
Other Services (except Public Administration)	551,024	\$31,089,124,615	5.98%
Wholesale Trade	169,588	\$27,447,873,150	5.28%
Administrative and Support and Waste Management and Remediation Services	246,671	\$26,253,321,001	5.05%
Transportation and Warehousing	207,271	\$17,116,788,852	3.29%
Real Estate and Rental and Leasing	252,483	\$15,537,613,259	2.99%
Finance and Insurance	172,896	\$12,037,265,378	2.32%

Overview of Updates

May 22	SBA and Treasury Releases Two New Interim Final Rules
June 5	The Paycheck Protection Program (“PPP”) Flexibility Act
June 8	Joint Statement Issued by U.S. Treasury Secretary Steven Mnuchin and SBA Administrator Jovita Carranza
June 11	SBA Issues Seventeenth Interim Final Rule
June 26	SBA Issues Twentieth Interim Final Rule
July 4	Paycheck Protection Program Extended to August 8, 2020
July 6	SBA and Treasury Release Detailed and Searchable Information Regarding PPP Borrowers

May 22, 2020 – Interim Final Rules

- First rule covered loan forgiveness:
 - Payment to furloughed employees, bonuses and hazard pay may be included in “payroll costs.”
 - Salary/wage reduction applies only to the portion of the decline in employee salary/wages not attributable to the FTE reduction.
- Second rule reiterated that the SBA may review any PPP Loan in its discretion.



The Flexibility Act: Update Highlights

- Extension of PPP Application Deadline
- Extension of Covered Period
- Change in Required Use of Proceeds
- Extension of Safe Harbor Period
- Extension of Payment Deferral
- Extension to Maturity Date

Extension of PPP Application Deadline



- The Flexibility Act initially extended the deadline to December 30, 2020.
- Seventeenth Interim Final Rule backpedaled on this and stated SBA would not accept applications beyond June 30, 2020.
- On July 4, 2020, President Trump signed into law a bill extending the PPP application deadline from June 30 to August 8.

Extension of Covered Period

- Prior to the Flexibility Act, PPP borrowers could apply for loan forgiveness for amounts spent during the 8-week period following funding.
- The Covered Period has been extended to 24 weeks after the date of disbursement.

Change in Payroll Use Threshold



- Prior to the Flexibility Act, PPP borrowers were required to utilize at least 75% of the PPP loan proceeds for “Payroll Costs.”
- The Flexibility Act has relaxed this requirement and reduced the minimum payroll percentage to 60%.
- Threshold is to be interpreted as a “proportional limit.”

Extension of Payment Safe Harbor Period for Forgiveness

- Prior to the Flexibility Act, PPP borrowers had until June 30 to eliminate reduction in employee headcount, salary and wages.
- The Flexibility Act extended this safe harbor period to December 31, 2020.
- The act further provides an additional safe harbor for employers who can document:
 - Inability to hire the same or similarly qualified individuals, or
 - Inability to return to the same level of business activity seen prior to February 15, 2020.

Extension of Payment Deferral Period

- Prior to the Flexibility Act, principal and interest payments on a PPP loan were deferred for 6 months following the funding date.
- The Flexibility Act extends the deferral period to the “date on which the amount of forgiveness determined under Section 1006 of the CARES Act is remitted by the lender.”
- 10-month grace period for borrowers who fail to apply.

Extension of Loan Maturity

- The Flexibility Act has extended the repayment term for the portion of PPP proceeds that are not forgiven from 2 years to 5 years.

Twentieth Interim Final Rule

- Revised fourteenth interim final rule: In addition to the \$20,833 salary cap for owner-employee who elect the 24-week covered period:
 - (i) C-corp owner/employees capped at 2019 employee cash compensation, plus employer retirement and health insurance contributions made on their behalf, and
 - (ii) S-corp owner/employees capped at 2019 employee cash compensation, plus employer retirement contributions made on their behalf
- SBA has yet to define the term “owner-employer.”

Borrower Details Released

- On July 6, the SBA and Treasury released detailed information regarding more than 650,000 borrowers.
- Details not released on loans below \$150,000, but totals for such loans have been provided by zip code, industry and business type.
- Borrower loan amounts listed by range:
 - \$150k-\$350k
 - \$350k-\$1M
 - \$1M-\$2M
 - \$2M-\$5M
 - \$5M-\$10M



Additional Updates

- SBA recently clarified borrowers may apply for forgiveness at any time on or before maturity of the loan.
 - Includes prior to the end of the applicable covered period if proceeds have been used.
- Potential new coronavirus relief package is on the horizon.

Questions?



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Navigating the COVID-19 Crisis:

How Recent Court Decisions & COVID-19 Impact
Your Commercial Property Taxes

August 4, 2020 | 1:00 - 2:00pm EST

Speakers: Brendan Lynch & Jacqueline Bozzuto



COVID-19 Resources

For more information, please visit www.lowndes-law.com.

