

SBA Issues New Guidance on Paycheck Protection Program

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The SBA issued [new guidance](#) on the Paycheck Protection Program on April 2, 2020. Below is a summary of changes:

- **What are the lending criteria?** Lenders will rely on borrower certifications to determine borrow eligibility.
- **Affiliation Rules:** No further guidance was provided. However, the SBA stated it intends to issues new guidance on this issue promptly. We will keep you informed.
- **Interest rate:** 1% (prior guidance said 0.5%), with a maturity of 2 years.
- **Ineligible businesses:** As defined in [13 CFR §120.110](#) and the [Standard Operating Procedure](#):
 - Financial businesses primarily engaged in the business of lending, such as banks, finance companies, and factors (pawn shops, although engaged in lending, may qualify in some circumstances);
 - Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds (except Eligible Passive Companies under § 120.111);
 - Life insurance companies;
 - Businesses located in a foreign country (businesses in the U.S. owned by aliens may qualify);
 - Pyramid sale distribution plans;
 - Businesses deriving more than one-third of gross annual revenue from legal gambling activities;

- Businesses engaged in any illegal activity;
 - Private clubs and businesses which limit the number of memberships for reasons other than capacity;
 - Government-owned entities (except for businesses owned or controlled by a Native American tribe);
 - Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting;
 - Loan packagers earning more than one third of their gross annual revenue from packaging SBA loans;
 - Businesses with an Associate who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude;
 - Businesses in which the Lender or CDC, or any of its Associates owns an equity interest;
 - Businesses which:
 - Present live performances of a prurient sexual nature; or
 - Derive directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature;
- **Will interest accrue during the 6 month deferment?** Yes, it will.
 - **What forms do I need to submit?** [SBA Form 2483](#) and payroll documentation.
 - **Refinancing an SBA Disaster Loan:** For a disaster loan made between January 31, 2020 and April 3, 2020 **must** be refinanced as a PPP loan if it was used for payroll costs.

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