

Paycheck Protection Program Loan Forgiveness Rules Eased for Smallest Borrowers

By Mallory Dreyer

Original post [here](#).

On [October 8](#), the Small Business Administration (SBA) and Treasury released an interim final rule easing the process for loan forgiveness on Paycheck Protection Program (PPP) loans of \$50,000 or less. The new rule exempts small businesses with such loans from reductions in loan forgiveness if they have cut wages or laid off employees. The previous rule required PPP borrowers to maintain employment and wages at pre-COVID levels in order to be fully eligible for loan forgiveness.

The United States implemented the PPP to provide support to small businesses in response to the COVID-19 pandemic. The PPP provided full guarantees on loans that banks or nonbanks extended to small businesses. These loans are eligible for full forgiveness if the borrower meets requirements on how funds are spent.

The eased loan-forgiveness rules appear to respond to [borrower and lender complaints](#) about the length and complexity of the forgiveness process. The SBA has received nearly 100,000 applications since it launched the forgiveness portal in August, but it had approved none as of October 1.

The interim final rule exempts borrowers that received a loan of \$50,000 or less from the requirement to retain or rehire employees to return to pre-Covid employment levels. These borrowers are also exempt from the prohibition on reducing employee wages. The SBA estimates that PPP loans eligible for this treatment account for \$49 billion, or 9%, of the total outstanding PPP lending.

The SBA also introduced a new loan forgiveness application for PPP loans of \$50,000 or less, [Form 3508S](#). This forgiveness application is shorter than the existing [“EZ” application](#), which the SBA released on June 17.

Since the PPP launched, it has been subject to complaints from borrowers and lenders, leading to evolution of the program (see this [timeline](#) for more information). Public scrutiny of the \$659 billion program is high. Small businesses account for [nearly 48% of US employment](#), and many are concerned about the equity of distribution. Congress initially allocated \$349 billion to the PPP, but after the initial funding ran dry, it approved an additional \$310 billion in funding. The PPP closed for applications on August 8, with total lending of \$525 billion and a total loan count of 5.2 million.

Unused PPP funds total \$134 billion. Although Congress has considered [proposals](#) to provide additional support to small businesses, it has not yet come to an agreement on how to do that.