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The application window for the Payment Protection Program (“PPP”) discussed in our email from yesterday has now opened. Shortly before the window opened, the United States Treasury Department released the Interim Final Rule (available at <https://home.treasury.gov/system/files/136/PPP--IFRN%20FINAL.pdf>). This new guidance changes the information that we circulated yesterday in a few important respects:



- The CARES Act, in adopting the PPP had capped the interest rate for such loans at 4%. Previous guidance and the draft application issued earlier this week had included an interest rate of 0.5%. **The Interim Final Rule sets the interest rate for the PPP loans at 1%.** This change will hopefully make the loans more appealing to lenders, which will facilitate loan proceeds being disbursed.
- The term of the loan has been set at two years. This means that any amount not forgiven will be deemed a 1% interest-rate loan on a two-year term.
- Interest will begin to accrue as soon as funds are received, but payment is deferred for six months.
- No more than 25% of the amount forgiven under the program may be used for non-payroll expenses. In order to maximize the amount of loan forgiveness available to them, loan recipients should spend 75% of the proceeds on qualifying payroll expenses. The remainder of the loan proceeds should be spent on other qualifying expenses (mortgage payments, rent payments, etc). The SBA will issue additional guidance on loan forgiveness at a later time, and we will update you as it becomes available.
- Loan applicants may only receive *one* loan under this program. You should therefore consider applying for the maximum amount available.

In addition, the SBA has updated the application that must be used when applying for PPP loans. The new application is available here: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>. The SBA Franchise Directory (current through March 31, 2020), which is asked about in Question 8 on the application is available here: <https://www.sba.gov/sites/default/files/2020-03/FrnchsTbl-03312020-UPLOAD.pdf>.

These are difficult times for all of us, but know that even in an age of social distancing, you are not alone, and every red light eventually turns green. If you have any questions, please do not hesitate to reach out to the team at Madigan, Dahl & Harlan.

Nothing in this communication is intended to serve as legal advice. Every situation is different. For specific questions or advice, contact one of the attorneys at Madigan, Dahl & Harlan P.A.

Madigan, Dahl & Harlan, P.A.
Campbell Mithun Tower
Suite 3150
222 South 9th Street
Minneapolis, MN 55402
Main: (612) 604-2000
email@mdh-law.com
www.mdh-law.com

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