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## **Paycheck Protection Program: Automatic Extension of the Loan Payment Deferral Period**

In June 2020, Congress passed the Paycheck Protection Program Flexibility Act (the "PPP Flexibility Act"), which made several significant changes to the PPP, including changes affecting when a borrower must begin repaying a PPP loan. While your PPP loan note states that principal and interest payments are to begin 6 months from the date of your note, the PPP Flexibility Act automatically extended the payment deferral period regardless of the Note language. Therefore, as long as you submit a forgiveness application within 10 months of your loan forgiveness covered period (described below), your loan payments will be deferred until the date on which the SBA notifies us of its determination on your loan forgiveness application or remits the loan forgiveness amount to the Lending Institution. If you do not apply for loan forgiveness, your loan payments are deferred until 10 months after the end of your loan forgiveness covered period. Interest continues to accrue during the entire deferment period.

### **What is my loan forgiveness covered period?**

If your loan was made before June 5, 2020, on your forgiveness application, you have a choice between an 8-week, or 24-week loan forgiveness covered period. However, for loan deferment purposes, we have assumed that your loan forgiveness covered period will be 24 weeks after loan disbursement or December 31, 2020, whichever is earlier.

If your loan was made on or after June 5, 2020, your loan forgiveness covered period is 24 weeks after your loan was disbursed or December 31, 2020, whichever of the two is earlier.

### **When will I have to begin making monthly payments on my PPP loan?**

When you will be required to begin making monthly payments on your PPP loan (if at all) depends on if, and when, you apply for loan forgiveness as set forth in the PPP Flexibility Act. The PPP Flexibility Act provides:

- If you submit a loan forgiveness application within 10 months after the end of your loan forgiveness covered period (as described above), you will not have to make any payments until after the date on which the SBA either: (i) remits the approved loan forgiveness amount to the lending institution; or (ii) notifies the lending institution that no loan forgiveness has been approved.
  - o We will notify you when we receive remittance of the loan forgiveness amount from the SBA or if we receive notice that the SBA denied your loan forgiveness application.



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- o If any portion of your loan is not forgiven, your payments will no longer be deferred, and we will notify you of your monthly payment amount and the date your first PPP loan payment is due.
- If you choose not to submit a loan forgiveness application within 10 months after the end of your loan forgiveness covered period (described above), your payments will no longer be deferred, and you must immediately begin paying principal and interest payments.
  - o We will notify you of your monthly payment amount and the date your first PPP loan payment is due.

In summary, in the event you do not timely apply for loan forgiveness or your loan is not fully forgiven, we will notify you in mid-2021 when your monthly payments will begin. **You will not be required to make any payments until we provide you with that notification.**

For additional details on these items, please refer to the following webpages:

- U.S. Department of the Treasury's "CARES Act Assistance for Small Businesses": <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
- U.S. Small Business Administration's "Paycheck Protection Program": <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Should you have any questions, please do not hesitate to contact us.