

Dear Childcare Center Directors of the United ECE program,

As you may have heard, Congress just passed a bill that will make some changes to the PPP loan program. The purpose of this bill was to make it easier for you to get full forgiveness of your PPP loan. The Executive Branch signed this bill into law on 6/5/2020. It is now in effect.

We are working hard to process the coming changes and what they will mean for you. After a bill like this is signed into law, the federal agencies in charge of these program publish new rules to help interpret how to apply these changes. We call these rules “guidance”, and guidance on these new laws will likely take a week or two to be published. While we are waiting for new guidance, we wanted to share some of the most important changes:

The Covered Period

What’s the same?	You can only be forgiven for money that you spend within a certain covered period of time.
What’s different?	<u>Old rule:</u> The covered period is 8 weeks from when you got your loan, or from the first pay period that began after you got your loan.
	<u>New rule:</u> If you already got your loan, you may choose to extend your covered period to 24 weeks (or, the earlier of 24 weeks or 12/31/2020). If you receive your loan after 6/5/2020, you will have a covered period of the lesser of: 24 weeks or until 12/31/2020.

The Covered Proportion

What’s the same?	You will need to spend a certain percentage of your loan on payroll in order to get full forgiveness.
What’s different?	<u>Old rule:</u> If you spend less than 75% of the amount you spend of your loan on payroll, you will face a cap on the amount of forgiveness you can receive.
	<u>New rule:</u> If you spend less than 60% on payroll, you may not receive any forgiveness at all. We are waiting for more guidance on this rule.

Covered Expenses

What’s the same?	You will need to spend funds from the PPP on covered payroll or covered non-payroll costs (including mortgage interest, rent, and utilities).
What’s different?	<u>Old rule:</u> Covered (funds eligible for forgiveness) payroll expenses do not include FICA (the amount of Employer-Matched Medicaid or Social Security Taxes).
	<u>New rule:</u> Employers can have a tax deferral on employer portion of Social Security taxes until 12/31/20, when 50% of taxes on Social Security will be due. They will have until 12/31/2022 to pay the other 50% due. These taxes will be considered paid on time. Employers STILL have to pay Medicare employer tax.

The Reduction Exception

What's the same?	You will face a proportionate forgiveness reduction if: your staffing hours paid during your <u>covered period</u> is less than it was during your pre-COVID <u>reference period</u> .
What's different?	<u>Old rule:</u> A Safe Harbor rule and Reduction Exception rules already exist in the original PPP program.
	<u>New rules:</u> A former employee will not count against you in this reduction if you made a written offer for the former employee to return to work, they refused, <i>and</i> you were unable to find a similarly-qualified replacement before 12/31/20. You will need documentation that you were unable to find a similarly-qualified candidate. Also, reduced staffing levels will not count against you if you document an inability to return to the same level of business (as on or before 2/15/2020) <u>due to compliance</u> with COVID-19 safety requirements from the Center for Disease Control (CDC), Health and Human Services (HHS), or OSHA.

Safe Harbor

What's the same?	If you reduced staffing between 2/15/20 and 4/26/20, you can avoid a forgiveness reduction if you are able to get back to your 2/15/20 staffing level by a certain date. This is called safe harbor.
What's different?	<u>Old rule:</u> To make safe harbor, you must return to your 2/15/20 staffing level by 6/30/20.
	<u>New rule:</u> To make safe harbor, you must return to your 2/15/20 staffing level by 12/31/20. We are waiting for more guidance on this rule.

Loan Deferment

What's the same?	You still receive loan deferment (meaning you do not have to start paying on your loan) until certain conditions are met.
What's different?	<u>Old rule:</u> Borrowers received 6-month loan deferment from the origination date, or the date you received your loan funds.
	<u>New rule:</u> Your loan payments are not due (deferred) until the date that loan forgiveness from the SBA (Small Business Administration) is remitted to your lender.

Loan Maturity Date

What's the same?	The PPP is still a loan program. Any amount not forgiven will need to be repaid at 1% interest rate.
What's different?	<u>Old rule:</u> Loan must be repaid within a 2-year term.
	<u>New rule:</u> Minimum loan term is now five (5) years. If you have already received PPP Loan funds and have a two (2) year loan term, <u>you may go back to your lender to request that they extend your loan term to five years.</u>

Forgiveness Application

What's the same?	In order to get loan forgiveness, you need to submit the forgiveness application.
What's different?	<u>New rule:</u> You need to submit your forgiveness application within 10 months of the end of your covered period. If you do not submit it, you need to start making payments on the loan within 10 months of the end of your covered period.