

June 8, 2020

This message is to inform our Paycheck Protection Program (PPP) Borrowers of important changes to PPP rules.

On June 5, 2020, The Paycheck Protection Program Flexibility Act was signed into law, providing relief from some PPP restrictions. Please be aware of the following changes, as they directly impact your loan:

- For new PPP loan applications, the loans must have a **minimum maturity of 5 years**. For existing loans like yours, maturity terms may be changed to conform with this new requirement if both Borrower and Lender agree to do so. NSB will honor requests to extend loan maturity to 5 years once a forgiveness determination has been made.
- The "covered period" end date (the date until which PPP loan funds may be utilized or hiring/compensation adjustments may be recognized) is extended from 6/30/2020 to 12/31/2020.
- **The forgiveness period, during which loan funds may be applied for allowed purposes, is extended from 8 weeks to 24 weeks.** Forgiveness period ends 24 weeks from loan origination or 12/31/2020, whichever comes first. Existing borrowers may choose to keep their original 8 week forgiveness period.
- To receive forgiveness, the Borrower **must use at least 60% of forgiven amounts for payroll costs, and may use up to 40% for allowed non-payroll costs** (change from the previous 75/25% rule). We await further SBA/Treasury guidance on specific application of the 60/40% forgiveness rule.
- The 6 month payment deferment period no longer applies. Payments are now **deferred until the date NSB receives compensation from the SBA for forgiven amounts on your loan**. Borrowers who do not apply for forgiveness have 10 months from the end of their 24 week forgiveness period to begin making payments.
- **Borrowers have until 12/31/2020 to rehire or eliminate a reduction in employment, salary, or wages that would otherwise reduce forgiveness amount.** Forgiveness amount will be calculated without regard to a reduction in the number of employee reductions if the Borrower is:
 - unable to rehire former employees and unable to hire similarly qualified employees; or
 - unable to return to the same level of business activity due to compliance with federal COVID-19 requirements or guidance.
- Borrowers who have PPP indebtedness forgiven are now eligible to defer their payroll tax payments.

The SBA has not yet released a forgiveness application consistent with these rule changes. **Borrowers should not apply for forgiveness until the new application and guidance is released. Borrowers are encouraged to utilize the extended forgiveness period and the relief from previous payroll cost percentage restrictions.**

Your PPP Promissory Note includes language inconsistent with the new PPP Flexibility rules. NSB will not change or re-issue current Promissory Notes until the SBA or Treasury releases guidance.

At this time, the SBA is not allowing changes to existing loan amounts for Borrowers who claim they relied, to their detriment, upon PPP rules in effect when they calculated their loan amount.

We appreciate you choosing NSB for your banking needs.

Sincerely,

The NSB Commercial Banking Team

