

# Philadelphia Business Journal

<https://www.bizjournals.com/philadelphia/news/2020/06/11/cpa-on-latest-clarification-on-ppp-forgiveness.html>

## Why a PPP forgiveness clarification could create more demands for loans

By [Jeff Blumenthal](#) – Reporter, Philadelphia Business Journal  
Jun 11, 2020, 7:09pm EDT

Marcum accountant [Jordan Kendall](#) received separate calls Thursday from two local tech company clients who were finally ready to apply for a Paycheck Protection Program loan more than two months after the program launched on April 3.

And it's not necessarily because of the PPP Flexibility Act of 2020 that was [signed into law by President Trump last Friday](#) that made the program's lending terms more favorable to borrowers. It was a clarification that came this week from federal officials which said that if borrowers do not spend the required percentage of loan proceeds on payroll, they will still have a portion forgiven. It was enough to convince Kendall's clients and perhaps other businesses to now apply.

Last week's law extends the covered period under which small businesses can spend the loan proceeds from eight weeks to 24 weeks and lowers the percentage that must be spent on payroll from 75% to 60%. Many businesses were concerned that if they did not meet that threshold, the entire loan would not be forgiven. There was immediate push back on that aspect of the new law, most notably from U.S. Sen. Marco Rubio (R-Fla.), who asked for the SBA to issue additional guidance to soften the potential blow of this requirement on the small business community.

U.S. Treasury Secretary [Steve Mnuchin](#) and SBA Administrator [Jovita Carranza released a joint statement Monday](#) largely reiterating what the new law provides, that also cleared up the "cliff" issue. It said borrowers that fail to spend 60% of their PPP funds on payroll will still have their loans forgiven. It wouldn't be complete forgiveness but does provide a lot more leeway. For example, if a business secured a \$100,000 PPP loan and used \$50,000 for payroll, 83% would be forgiven and the remainder transferred into a loan with 1% interest that can be paid back over five years.

"I had calls from two clients who didn't apply for PPP because they didn't think they could meet the 75% payroll standard and felt it would be close at 60%," Kendall said. "They only wanted to apply if the loan was forgivable. They just don't want to take on any more debt. But with this sliding scale, they feel more comfortable that even if they don't get exactly 60%, it will be close enough that the loan would be really small. So they are both going to apply now."



Jordan Kendall of Marcum  
MARCUM

With the cliff issue resolved, Kendall said his clients who don't yet have PPP are focused on the June 30 deadline to apply. Still, he doesn't see demand increasing to a level where all of the funds will be gone by that point. So he hopes the government chooses to extend that deadline.

According to SBA data as of June 6, just \$162 billion of the \$320 billion earmarked for the program's second round has been disbursed. The figure is actually lower number than the \$176 billion from a month ago. That's because many businesses have returned the money for a variety of reasons and the SBA has scrubbed its computer system of duplicate applications. Additionally, many businesses have lost interest with the program due to a variety of forgiveness requirements released over the past month.

And for those who already have PPP, the SBA is allegedly poised to release 30 additional FAQs to their guidance, which have been known in the past to inject confusion and chaos into the business community. Kendall said the government most likely wanted to give borrowers and lenders some time to absorb the law, so he expects the FAQs to come out in the next week or so.