

# To Our Clients and Friends

# Memorandum

April 23, 2020

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## *Congress Passes “Phase 3.5” COVID-19 Relief Package Extending Small Business Loan Program*

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On April 23, 2020, Congress passed a “Phase 3.5” Coronavirus (COVID-19) relief package, the [Paycheck Protection Program and Health Care Enhancement Act \(“PPHCE Act”\)](#). The \$484 billion stimulus bill, which the President has said he will sign, provides aid to small business, states and municipalities, and hospitals. The PPHCE Act provides an additional \$320 billion for Small Business Administration (“SBA”) loans, fees and expenses under the [Paycheck Protection Program \(“PPP”\)](#) established under the [Coronavirus Aid, Relief and Economic Security \(“CARES”\) Act](#). The PPHCE Act does not generally alter the PPP loan eligibility requirements, application process, or loan forgiveness rules. Nor does it change the SBA [affiliation rules](#) that apply to PPP loan applicants.

The PPHCE Act will replenish the PPP with an additional \$320 billion of funding, \$10 billion of which will be used for fees and other expenses. The original \$349 billion in PPP loans was depleted in a matter of weeks, causing millions of eligible companies’ SBA applications to be put on hold. It is expected that this additional \$320 billion may be depleted even quicker than the first round because of those pending applications. The legislation also reserves \$30 billion of the funding for loans made by banks and credit unions that have assets between \$10 billion and \$50 billion, and another \$30 billion for loans made by “Community Financial Institutions” (defined as community development financial institutions, minority depository institutions, certified development companies, and microloan intermediaries) and banks and credit unions with assets below \$10 billion. This reserve is intended to better serve “underbanked” small businesses, such as newer businesses and those owned by women and minorities.

The PPHCE Act also provides \$50 billion in funding for direct disaster loans made by the SBA under Section 7(b) of the Small Business Act, and \$10 billion in additional funding for the SBA’s existing Economic Injury Disaster Loan (“EIDL”) Grant program. The latter grant program provides eligible small businesses with up to a \$10,000 advance on their EIDL that does not have to be repaid. Congress also extended eligibility for EIDLs to farms and ranches with fewer than 500 employees.

More information on the PPP and eligibility requirements can be found on the SBA’s [website](#). Further guidance and the loan application form are available on the U.S. Department of the Treasury’s PPP [website](#).

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its contents. If you have any questions about the contents of this memorandum, please call your regular Fried Frank contact or an attorney listed below:

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