

Limitations Imposed on Paycheck Protection Program Loans for Related Entities

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On April 30, 2020 the United States Treasury issued an interim final rule ([SBA 2020-0023](#)) pertaining to the Paycheck Protection Program (PPP) forgivable loans created by the CARES Act and administered by the Small Business Administration (SBA). The rule provides that the aggregate amount of PPP loans extended to a single corporate group shall not exceed \$20 million.

The rule states that businesses are part of a single corporate group if they are majority owned, directly or indirectly, by a common parent. This is a different and simpler standard than the standards under the SBA affiliation rules. While SBA's affiliation rules continue to apply to the determination of a borrower's eligibility under PPP, the \$20 million dollar limitation applies even if the businesses are eligible for the waiver of affiliation provision of the CARES Act or if they are not affiliated under the SBA affiliation rules.

It is the responsibility of the borrower or applicant of a PPP loan to notify the lender of any funds received or applied for in excess of the \$20 million limitation and to withdraw or request cancellation of any pending PPP loan application that was approved violating the limitation.

The \$20 million limitation is effective immediately with respect to any PPP loan that has not yet been fully disbursed as of April 30, 2020.

Borrowers or loan applicants who are part of complex ownership structures should review their relatedness on the common parent standard and make necessary adjustments to their loans.

If you would like to discuss the above or any other issues, please contact [Doug Lubic](#) or [Peter Greenbaum](#), or any other member of the [Business Law](#) and [Health Law](#) teams.

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Practice

- Corporate