

Press Release

February 09, 2021

Federal Reserve Board announces the second extension of a rule to bolster the effectiveness of the Small Business Administration's Paycheck Protection Program (PPP)

For release at 5:00 p.m. EST

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The Federal Reserve Board on Tuesday announced the second extension of a rule to bolster the effectiveness of the Small Business Administration's (SBA) Paycheck Protection Program (PPP). Like the earlier extensions, this one will temporarily modify the Board's rules so that certain bank directors and shareholders can apply to their banks for PPP loans for their small businesses.

To prevent favoritism, the Board limits the types and quantity of loans that bank directors, shareholders, officers, and businesses owned by these persons can receive from their affiliated banks. However, these limits have prevented some small business owners from accessing PPP loans—especially in rural areas.

The SBA clarified last year that PPP lenders can make PPP loans to businesses owned by their directors and certain shareholders, subject to certain limits, and without favoritism. The Board's rule extension will allow those individuals to apply for PPP loans, consistent with SBA's rules and restrictions. The extension only applies to PPP loans.

The Board is providing the rule extension to allow banks to continue to make PPP loans to a broad range of small businesses within their communities. The SBA explicitly has prohibited banks from prioritizing or providing favorable processing time to PPP loan applications from a director or equity holder, and the Board will administer the rule extension accordingly.

The rule extension is effective immediately and applies to PPP loans made through March 31, 2021. Comments will be accepted for 45 days after publication in the *Federal Register*.

For media inquiries, call 202-452-2955

[Federal Register notice: Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks \(PDF\)](#)

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