Press Release

July 15, 2020

Federal Reserve Board announces extension of rule change to bolster effectiveness of the Small Business Administration’s Paycheck Protection Program

For release at 4:30 p.m. EDT

The Federal Reserve Board on Wednesday announced an extension of a rule change to bolster the effectiveness of the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). Like the earlier rule, the extension 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 in April 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 change will allow those individuals to apply for PPP loans, consistent with SBA's rules and restrictions. The change only applies to PPP loans.

The Board is providing the temporary change 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 favoring in processing time or prioritization a PPP loan application from a director or equity holder, and the Board will administer its rule change accordingly.

The rule change is effective immediately and will be in place while the PPP is active. Comments will be accepted for 45 days after publication in the Federal Register.

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