

bodman

An Update From Bodman PLC

Bodman PLC | [COVID-19 Response Team Website](#)

April 2020

Bank Insiders Are Now Eligible To Receive Paycheck Protection Program Loans From Their Related Banks

The Federal Reserve issued an interim final rule, effective April 22, 2020, that excepts the Small Business Administration's Paycheck Protection Program from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of the Federal Reserve's Regulation O. Among other things, section 22(h) and Regulation O impose requirements on a bank regarding extensions of credit made to insiders of a bank or its affiliates. In a press release dated April 17, 2020, the Federal Reserve recognized that "[t]hese requirements have prevented some small business owners from accessing PPP loans – especially in rural areas."

Following this interim final rule, businesses owned by bank directors, shareholders, and officers may now receive Paycheck Protection Program loans from their related banks (if otherwise eligible). This interim final rule will help banks, particularly in smaller communities, to give effect to the Paycheck Protection Program's purpose of helping small businesses to continue to operate under the current economic conditions. The interim final rule stresses the point that any Paycheck Protection Program loans extended to a bank's insiders must follow the same process as any similarly situated customer or account holder and must not receive favoritism from the bank.

The initial \$349 billion set aside for the Paycheck Protection Program was exhausted last week, but many are hopeful that Congress will hash out the details of a potential second round of funding.

Bodman continues to monitor developments in the financial industry and we will continue to provide updates. We encourage you to contact a Bodman attorney if you have any questions or concerns about the potential impacts COVID-19 may have on your institution and transactions.

Bodman cannot respond to your questions or receive information from you without first clearing potential conflicts with other clients. Thank you for your patience and understanding.