

Round Two of the Paycheck Protection Program: What Businesses Need to Know

Further assistance for businesses is now available, as the U.S. Small Business Administration (SBA) has reopened the Paycheck Protection Program (PPP). On December 27, 2020, the [Economic Aid Act](#) became law and extended the authority to make PPP loans through March 31, 2021. With an official title of the Economic Aid to Hard-Hit Small Businesses, Non-Profits, and Venues Act, the Economic Aid Act is part of the Consolidated Appropriations Act of 2021. This [\\$325 billion title](#) would provide additional assistance to the hardest-hit small businesses, nonprofits, and venues that are struggling to recover from the impact of the COVID-19 pandemic. In addition, the Act [expands PPP eligibility](#) to certain organizations described in section 501(c)(6), as well as housing cooperatives, destination marketing organizations, and other types of organizations.

Businesses can apply for [First Draw PPP loans](#) if they did not receive funding through the CARES Act in 2020. Furthermore, existing PPP borrowers that did not receive loan forgiveness by December 27, 2020 may:

- Reapply for a First Draw PPP Loan if they previously returned some or all of their First Draw PPP Loan funds; or
- Under certain circumstances, request to modify their First Draw PPP Loan amount if they previously did not accept the full amount for which they are eligible.

Also available are [Second Draw PPP loans](#). The PPP now allows certain eligible borrowers that previously received a PPP loan to apply for a Second Draw PPP Loan with the same general loan terms as their First Draw PPP Loan.

PPP loans have an interest rate of one percent, but are forgivable if all employee retention criteria are met, and the funds are used for eligible expenses. Businesses should consult their banker or accountant to determine which loan is right for them.

First Draw PPP Loans are subject to the same eligibility terms previously available under the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020. Small businesses who have less than 500 employees are eligible to apply. In addition, some independent contractors and gig economy workers are also eligible. Businesses can get up to 10 weeks of payroll covered by the loan, up to \$10 million. The loan can cover the entire payroll cost including salaries, wages, paid time off, tips, taxes and healthcare benefits. In addition to covering payroll costs, the loan can also help to pay for operational costs that could include rent, mortgage interest, utility payments, worker protection costs related to COVID-19, uninsured property

damage costs caused by looting or vandalism during 2020 and certain supplier costs and expenses for operations.

Second Draw PPP Loans are available for applicants who received a loan in 2020 under the CARES Act. In addition, the applicant must have used or will use the full amount of the First Draw by the expected date of the Second Draw. Eligibility terms are similar between the two types of loans except for a few key differences, as illustrated below.

Loan	# of Employees	Max Loan	Need
First	< 500	\$10 Million	Lender Determination
Second	< 300	\$2 Million	25% revenue drop (quarter or year comparison)

Loan Forgiveness

First and Second Draw PPP Loans are [forgivable](#) as long as businesses meet certain criteria during the 8 to 24 week period following disbursement, including:

- Employee and compensation levels are maintained in the same manner as required for the First Draw PPP loan
- The loan proceeds are spent on payroll costs and other eligible expenses; and
- At least 60 percent of the proceeds are spent on payroll costs

Borrowers must apply for loan forgiveness through their PPP lender once all loan proceeds have been used and can do so up to the maturity date of the loan. However, borrowers will have to begin making loan payments to their PPP lender if they do not apply within 10 months of the last day of the covered period.

How to Apply

SBA is currently accepting applications for First and Second Draw PPP Loans until March 31, 2021. Businesses are encouraged to contact their bank or accountant for further information. Many banks have already reached out to customers. [Lender Match](#) is available to locate participating lenders. Applications can be downloaded below:

- [Paycheck Protection Program First Draw Borrower Application Form](#)
- [Paycheck Protection Program Second Draw Borrower Application Form](#)