

PPP UNDER THE ECONOMIC AID ACT

The PPP has been a critical lifeline for more than 5 million small businesses and their employees. To ensure small businesses can obtain much-needed economic relief, the Economic Aid Act reopen the PPP through March 31, 2021, with \$284.45 billion in funding available for eligible small businesses and non-profits. The bill appropriates \$15 billion in set-asides for initial PPP loans and \$25 billion for second PPP loans. Below you'll find more information on navigating the loan process for both types of loans.

Committee on
SMALL BUSINESS



Paycheck Protection Program First Draw Loans

Paycheck Protection Program Second Draw Loans



What Is The Paycheck Protection Program (PPP)?

An \$806 billion forgivable loan program at SBA for small businesses, self-employed, and gig workers to help them stay afloat during the COVID-19 pandemic. If employers maintain payroll, the loans would be forgiven.

Who Is Eligible?

Small and mid-sized firms and certain nonprofits* in operation on Feb. 15, 2020 with up to 500 employees (including those of foreign affiliates), independent contractors, and the self-employed. Businesses in bankruptcy are **not** eligible.

Eligible nonprofits include those organized as 501(c)(3), 501(c)(6), 501(c)(19) organizations, destination marketing organizations, and housing cooperatives. The employee cap for 501(c)(6), DMOs, and housing cooperatives is 300 employees.

Who Is Eligible?

Any business that received a First Draw PPP loan; has used/will use all of its First Draw by disbursement of the Second Draw; employs not more than 300 employees; and had a 25% revenue reduction in 2020 versus 2019 (yearly or quarterly).

How Does The Process Work?

All current 7(a) and PPP lenders remain eligible lenders under the Economic Aid Act.

How Can I Apply?

SBA's Lender Match Portal helps borrowers locate SBA-approved lenders.

Interested borrowers are also encouraged to inquire with a local 7(a) or PPP lender regarding whether they are still participating in the PPP.

How Much?

The lesser of \$10 million or an amount calculated using a payroll-based formula established under SBA regulations, which for many borrowers, will equal two and half months of the borrower's average monthly payroll costs.

Borrowers may not seek more than one First Draw, and should thus consider applying for the maximum amount. Any borrower who received a PPP loan in 2020 received a First Draw and is ineligible to receive another First Draw, but may be eligible for a Second Draw.

How Much?

The lesser of \$2 million or an amount calculated using a payroll-based formula established under SBA regulations, which for many borrowers will equal two and half months of the borrower's average monthly payroll costs.

- Borrowers in accommodations and food service will base the loan amount on three and a half months of the borrower's average monthly payroll costs.
- Businesses that are part of a single corporate group may not receive more than \$4 million in Second Draw PPP Loans in the aggregate.

What Are the Terms?

Portions of PPP loans not forgiven must be repaid over 5 years at a fixed, non-compounding interest rate of 1%. No collateral, personal guarantees, or fees are required under a PPP loan.

How Can I Use It?

- Payroll costs;¹
 - Mortgage interest payments (but not mortgage prepayments or principal payments);
 - rent and utility payments;
 - interest payments on any other debt obligations incurred before February 15, 2020;
 - refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020;
 - covered operations expenses; **(added by the Economic Aid Act)**;²
 - covered property damage costs; **(added by the Economic Aid Act)**;³
 - covered supplier costs; **(added by the Economic Aid Act)**;⁴ and
 - covered worker protection expenditures. **(added by the Economic Aid Act)**.⁵
- *At least 60 percent of PPP loan proceeds must be used for payroll costs to qualify for full loan forgiveness.***

Committee on
SMALL BUSINESS



¹ Salary, wages, commissions, or other compensation to employees based in the U.S. (and similar compensation for independent contractors and sole proprietors); cash tips or equivalents; payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments for providing group health care or group life, disability, vision, or dental insurance; payment of state and local wage taxes.
² Payments for software or cloud computing services facilitating business operations, product/service delivery, processing/payment/tracking payroll expenses, human resources/sales/billing functions, or accounting/tracking supplies, inventory, records, and expenses.
³ Payments related to property damage/vandalism/looting due to public disturbances in 2020 not covered by insurance or other compensation.
⁴ Payments to a supplier under a contract or order for goods in effect prior to the loan and that are essential to the borrower's operations when the payment was made. Payments for perishable goods can be made before or during the life of the loan.
⁵ Payments related to retrofitting/adapting a business space to help it comply with government guidelines to prevent the spread of COVID-19, or for providing personal protective equipment.