

SBA 7(A) PAYCHECK PROTECTION PROGRAM
January 2021 Update

	FIRST-DRAW PPP LOANS	SECOND-DRAW PPP LOANS
WHO IS ELIGIBLE	Businesses & non-profits with less than 500 employees that are eligible for other SBA 7(a) loans, as well as sole proprietors, independent contractors, and self-employed individuals in operation on February 15, 2020.	Only eligible if borrower would have been eligible for First-Draw PPP loan, and: <ul style="list-style-type: none"> • Has 300 or fewer employees • Has used or will use all of the first PPP loan on eligible expenses on or before expected disbursement of second PPP loan; and • Can show 25% revenue reduction in all or part of 2020 as compared to 2019.
SPECIFIC ELIGIBILITY CONCERNS	“Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds” are still shut out from PPP relief. <i>See</i> SOP 50 10 6. Expressly excludes “apartment buildings and mobile home parks.”	
WHAT CAN THE LOAN BE USED FOR	Payroll costs; payments of mortgage interest (not principal or prepayments); rent payments; utility payments; interest payments on debts incurred prior to February 15, 2020. Recently added eligible expenses: worker protection and facility modification; property damage costs from public disturbances in 2020 not covered by insurance; expenditures to suppliers that are essential to current operations; covered operating expenses.	
MAXIMUM LOAN AMOUNT	Lesser of or 2.5 times borrower’s average monthly payroll based on prior year’s payroll or \$10 million. Businesses that are part of a single corporate group cannot receive more than \$10 million of First Draw PPP loans in the aggregate.	Lesser of 2.5 months of the borrower’s average monthly payroll costs or \$2 million. Businesses that are part of a single corporate group cannot receive more than \$4 million of Second Draw PPP loans in the aggregate.
LOAN TERMS	<ul style="list-style-type: none"> • SBA Guarantee is 100% • No collateral or personal guarantee required • Fixed rate loans of 1%, 2-year term • No up-front guarantee fee required from Borrower to SBA • No annual service fee required from Lender to SBA 	Loan terms are similar, except the maturity for Second-Draw PPP Loans is five years.
LOAN FORGIVENESS	Borrowers qualify for full loan forgiveness if during the 8 to 24-week covered period following loan disbursement: employee & compensation levels are maintained; loan proceeds are spent on eligible expenses; and 60% of the loan proceeds are spent on payroll costs.	