



The U.S. Small Business Administration (SBA) has released updated Paycheck Protection Program (PPP) interim final rules which incorporate new requirements imposed by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the “Economic Aid Act” or “EAA”). The information below broadly outlines the new guidance provided.

Paycheck Protection Program Reopens for First Draw Loans

On Monday, January 11, the SBA began accepting only applications submitted by community financial institutions, or CFIs, lenders whose customers are minority-owned and economically disadvantaged businesses. Larger banks will be able to start distributing PPP loans to all eligible borrowers on Tuesday, January 19. Key aspects of this round:

- Eligible small entities, that together with their affiliates (if applicable), have 500 or fewer employees—including nonprofits, veterans organizations, self-employed individuals, and independent contractors—can apply.
- PPP borrowers can set their PPP loan’s covered period to be any length between 8 and 24 weeks to best meet their business needs (the interest rate is still 1%).
- While the program was initially limited to payroll expenses, PPP loans can now cover additional expenses such as operations expenditures, property damage costs, supplier costs, and worker protection expenditures.
- Maximum loan amount is \$10M. Loan amount will be 2.5x average monthly payroll costs over the prior 12 months.
- Borrowers can apply for a First Draw PPP Loan until March 31, 2021, or until funds for the program are exhausted, whichever is sooner.
- No collateral and no personal guarantees are required to secure a PPP loan. And you do not need to first apply for credit elsewhere.

To help businesses (including nonprofits) determine the maximum amount of a First Draw PPP loan, the Small Business Administration (SBA), in consultation with the Department of the Treasury, has provided updated guidance to assist businesses in calculating their payroll costs (and the relevant documentation that is required to support each set of calculations). [How to Calculate Maximum Loan Amounts for First Draw PPP Loans and What Documentation to Provide](#)

Second Draw Loan Opportunity

Businesses that received a PPP loan in the first round of funding may be eligible for a Second Draw loan of up to \$2M. Eligible organizations must have fewer than 300 employees, have used or will soon use the entire amount of their first PPP loan, and have experienced a decline in gross receipts of at least 25% during any quarter of 2020, as compared to the same quarter of 2019.

For second draw loans of \$150,000 or less, borrowers do not have to submit documentation proving a 25% decrease in revenue at the time of the loan application. The information will need to be submitted on or before the borrower submits a loan forgiveness application. The lender will confirm the dollar amount and percentage of the borrower’s revenue reduction by performing a good faith review, in a reasonable time, of the borrower’s calculations and supporting documents. The SBA also plans to issue a consolidated rule on all aspects of loan forgiveness.

The SBA, in consultation with the Department of the Treasury, has also released updated guidance to assist businesses in calculating Second Draw PPP loan amounts. This document also answers many FAQs, such as which forms of revenue to include when calculating gross receipts. [How to Calculate Revenue Reduction and Maximum Loan Amounts for Second Draw Loans Including What Documentation to Provide](#)

Download Additional Guidance Released by the SBA

- [PPP Guidance from SBA Administrator Carranza on Accessing Capital for Minority, Underserved, Veteran, and Women-owned Business Concerns](#)
- [Interim Final Rule on Paycheck Protection Program as Amended by Economic Aid Act](#)
- [Interim Final Rule on Second Draw PPP Loans](#)