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PPP Second Draw

STIMULUS PACKAGE



Summary of Key Provisions

Congress passed a \$900 Billion economic relief package on Monday, December 21, 2020. The bill combines coronavirus-fighting funds with financial relief for individuals and businesses. The bill was signed into law on December 27, 2020.

The stimulus package restarts the Paycheck Protection Program (PPP) while doing away with some of the restrictions that left more than \$100 billion unspent over the summer.

NOTE THAT THESE PROVISIONS ARE SUBJECT TO CHANGE AS THEY HAVE NOT YET BEEN IMPLEMENTED BY THE SMALL BUSINESS ADMINISTRATION (SBA). FOR INFORMATIONAL PURPOSES ONLY.

Paycheck Protection Program

- The Bill creates a second loan from the Paycheck Protection Program, called a “PPP second draw” loan for smaller and harder-hit businesses, with a maximum amount of \$2 million
 - Employ not more than 300 employees
 - Have used or will use the full amount of their first PPP
 - Demonstrate at least a 25 percent reduction in gross receipts in the first, second, or third quarter of 2020 relative to the same 2019 quarter. Provides applicable timelines for businesses that were not in operation in Q1, Q2, Q3, and Q4 of 2019. Applications submitted on or after January 1, 2021 are eligible to utilize the gross receipts from the fourth quarter of 2020.

- Eligible entities must be businesses, certain non-profit organizations, housing cooperatives, veterans' organizations, tribal businesses, self-employed individuals, sole proprietors, independent contractors, and small agricultural cooperatives.
- Ineligible entities include: entities listed in 13 C.F.R. 120.110 and subsequent regulations except for entities from that regulation which have otherwise been made eligible by statute or guidance.
- Loan terms: in general, borrowers may receive a loan amount of up to 2.5x the average monthly payroll costs in the one year prior to the loan or the calendar year. No loan can be greater than \$2 million
- Seasonal employers may calculate their maximum loan amount based on a 12-week period beginning February 15, 2019 through February 15, 2020.
- New entities may receive loans of up to 2.5x the sum of their average monthly payroll costs.
- Entities in industries assigned to NAICS code 72 (Accommodations and Food Services - including Hotels and Restaurants) may receive loans of up to 3.5x average monthly payroll costs.
- Businesses with multiple locations that are eligible entities under the initial PPP requirements may employ not more than 300 employees per physical location
- Waiver of affiliation rules that applied during initial PPP loans apply to a second loan
- An eligible entity may only receive one PPP second draw loan
- Fees are waived for both borrowers and lenders to encourage participation
- For loans of not more than \$150,000, the entity may submit a certification attesting that the entity meets the revenue loss requirements
- Loan forgiveness: Borrowers of a PPP second draw loan would be eligible for loan forgiveness equal to the sum of their payroll costs, as well as covered mortgage, rent, and utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures incurred during the covered period. The 60/40 cost allocation between payroll and nonpayroll costs in order to receive full forgiveness will continue to apply

- Allows the borrower to elect a covered period ending at the point of the borrower's choosing between 8 and 24 weeks after origination
- Covered costs extended:
 - Clarifies that other employee-provided group insurance benefits are included in payroll costs. This includes group life, disability, vision, or dental insurance
 - Payment for any software, cloud computing, and other human resources and accounting needs
 - Covered property damage costs: Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance
 - Covered supplier costs: Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
 - Covered worker protection expenditure: Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration

SPECIAL NOTE: A BUSINESS OR ORGANIZATION THAT WAS NOT IN OPERATION ON FEBRUARY 15, 2020 SHALL NOT BE ELIGIBLE FOR AN INITIAL PPP LOAN AND A SECOND DRAW PPP LOAN.

Further Clarification – Churches & Religious Organizations:

Expresses the sense of Congress that the Administrator's guidance clarifying the eligibility of churches and religious organizations was proper and prohibits the application of regulations otherwise rendering ineligible businesses principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs

Timeline and Appropriation



SBA will be making changes to their systems to accommodate new PPP requests. This system is likely NOT to be ready prior to mid to late-January 2021.



Covered period for PPP Loans through March 31, 2021



Total Funding of \$806.5 Billion authorized

Information for Clients Who Currently Have an SBA Loan (7a or 504 Programs)

- For 7a Borrowers, the SBA will make principal and interest payments on your eligible loans beginning February 1, 2021 through April 1, 2021
 - Payments capped at \$9,000 per month, per borrower (the borrower will be required to pay the difference for principal and interest payments greater than \$9,000 per month)
- After April 1, 2021, principal and interest payments for the following small business borrowers through September 30, 2021:
 - Small businesses who have received SBA Micro Loans or Community Advantage Loans
 - Small businesses who have received SBA 7a or SBA 504 loans in the hardest hit industries, including food service and accommodation; arts, entertainment, and recreation; education; and laundry and personal care services.
 - Loan payments will be capped at \$9,000 per month, per borrower
- Small businesses with SBA 504 loans may refinance the 1st Trust Deed of the 504 loan and obtain cash out for eligible business expenses

Support for Growing Businesses in Obtaining New SBA Loans

- Principal and interest payments will be made by the SBA, capped at \$9,000/month/borrower, for NEW SBA 504 or 7a loans from February 1, 2021 – September 30, 2021
 - Increase the lender guarantee of SBA 7a loans from 75% to 90% through September 30, 2021
 - Small Business Administration fees will be waived for SBA 504 and 7a loans immediately after the bill is enacted through September 30, 2021
 - Refinance variable SBA 7a with fixed rate SBA 504 loans, for qualified fixed assets
 - Small business obtaining SBA micro loans will have increased terms to 8 years vs 6 years beginning February 1, 2021
 - Extends the guarantee for Community Advantage Loans to a 90% guarantee
 - Expedites loan approval for loans under \$500,000 for an Express SBA 504 Loan
 - Increases the maximum loan amount of the express loan from \$350,000 to \$1,000,000 from January 1, 2021 to September 30, 2021
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Economic Injury Disaster Loan and Advance (EIDL)

- REPEALS the provision in the CARES Act, which requires PPP borrowers to deduct the amount of the EIDL advance from the PPP forgiveness amount

The SBA Administrator shall issue rules that ensure borrowers are made whole if they received forgiveness and the EIDL was deducted from that amount

- Provides targeted funding for small businesses in low-income communities
- Provides \$10,000 grants to eligible applicants in low-income communities that did not secure grants because funding had runout
- Extends the EIDL Grants to December 31, 2021



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