

Paycheck Protection Program - Second Round Summary

The Consolidated Appropriations Act was signed into law on December 27, 2020 and allocates \$284 billion in government funding to renew the Paycheck Protection Program (“PPP”) that was established under the CARES Act in 2020. The PPP provides 100% federally guaranteed loans to small businesses and non-profits. These funds can be used for payroll costs, rent, mortgage payments, utility expenses, and other qualifying business expenses. PPP loans are forgivable if borrowers maintain their payrolls or restore their payrolls within a specific time period. Both first-time borrowers and borrowers who previously received PPP loans are eligible to apply for loans under the renewed program. Below is a summary of the program’s key terms and information on how to apply for funding. More information is also available on the [SBA website](#).

This high level summary is being provided as an aid to our tenants only. Please see the Consolidated Appropriations Act, the CARES Act, the Small Business Act, and the SBA website for additional details and the exact provisions.

Loan Program Overview

- Federally guaranteed loans available through the Small Business Administration (“SBA”) for businesses and non-profits.
- First-time PPP borrowers and businesses that previously received loans under the original PPP program in 2020 are eligible to apply. Eligibility requirements differ for first-time and second-time borrowers (see “Eligibility & Requirements” below).
- Funds can be used for payroll costs, rent, mortgage payments, utility expenses, and other qualifying business expenses.
- Borrowers may choose the length of the covered period during which they must use the loan proceeds. Covered period can be between 8 and 24 weeks.
- Loan amount is equal to 2.5 times your average monthly payroll expenses for 2019 or the year prior to the date the loan is made (3.5 times for businesses in the Accommodation and Food Service sector). Loans are capped at \$10mm for first-time borrowers and \$2mm for second-time borrowers.
- Loans are forgivable, meaning you do not have to repay the funds borrowed, provided you meet specific requirements to retain employees and limit reductions in employee pay.
- All interest payments are deferred
- Interest rate of 1.00%
- No fees required
- No collateral required
- No personal guarantee required
- Applications will be accepted until March 31, 2021

Eligibility & Requirements

- **Eligible First-Time Borrowers (“First Draw Loans”):**
 - Businesses and non-profits with fewer than 500 employees (with the exceptions listed below)
 - For restaurants and other businesses classified as “Accommodation and Food Services (NAICS 72)”, the 500-employee rule is applied on a per physical location basis
 - Franchisees are eligible, as the normal affiliation rules that would disqualify them from the small business definition are waived for this program
 - Individuals who operate as a sole proprietor
 - Individuals who operate as an independent contractor
 - Business must have been in operation prior to February 15, 2020
 - Borrower must make a good faith certification that:

- **1)** The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
- **2)** The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, utility payments, and other eligible business expenses
- **3)** The borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
- **4)** The borrower has not received a loan duplicative of the purpose and amounts applied for here
- No collateral required
- No personal guarantee required
- More information on First Draw loan requirements is available [here](#)
- **Eligible Second-Time Borrowers (“Second Draw Loans”):**
 - Businesses and non-profits with fewer than 300 employees
 - Have previously received a PPP loan and will or have used the full amount only for authorized uses
 - Have experienced a reduction in gross receipts of at least 25% during a quarter in 2020 when compared with the same quarter in 2019
 - More information on Second Draw loan requirements is available [here](#)
- **Reapplying & Loan Increases**
 - Existing PPP borrowers who did not receive loan forgiveness by December 27, 2020 may:
 - (1) Reapply for a First Draw PPP loan if they previously returned some or all of their First Draw loan funds, or
 - (2) Under certain circumstances, request to modify their First Draw PPP Loan amount if they previously did not accept the full amount for which they were eligible

Loan Size and Terms

- Loan Amount:
 - Up to \$10mm per business for first-time borrowers and \$2mm for second-time borrowers
 - Max loan amount calculated as 2.5 times the borrower’s average monthly payroll costs for either 1) the year prior to the loan origination date, or 2) the year 2019
 - Loans for businesses in the Accommodations and Food Services sector are sized based on 3.5 times the average monthly payroll costs
- Covered Period: Borrower chooses covered period (must be between 8 and 24 weeks)
- Interest Rate: 1.00%
- Term Length: 5 Years
- Fees: No upfront fees and no prepayment fees
- Interest Deferral: Payments will be deferred until SBA remits borrower’s loan forgiveness amount
- All loans will have the same terms regardless of borrower or lender

Loan Forgiveness

- Loans are forgivable for businesses that retain workers or hire back those that were previously laid off
- Borrowers are eligible for loan forgiveness equal to the amount spent on the following items during the 8 to 24 week covered period beginning on the date of the origination of the loan:
 - Payroll costs
 - Rent
 - Mortgage Interest

- Utility Expenses
- Other eligible business expenses (see SBA website for detail)
- At least 60% of the forgiven amount must be used for payroll costs

Application Information

- Applications will be accepted starting January 11, 2021 for First Draw Loans and January 13, 2021 for Second Draw Loans
- Application deadline is March 31, 2021
- Loan applications will be handled directly by SBA (7a) approved lenders, which include most banks, credit unions, and other lender types
- Contact your local lender to ask if they are participating in the PPP program
- Application form for first-time borrowers can be found [here](#)
- Application form for second-time borrowers can be found [here](#)
- More information is available on the [SBA website](#)

Additional Information & Resources

[SBA Small Business Guidance & Loan Resources](#)

[First Time PPP Borrower Information - US Treasury](#)

[Second Time PPP Borrower Information - US Treasury](#)

[Frequently Asked Questions - SBA](#)

[How to Calculate PPP Loan Amounts - SBA](#)

[Small Business Guide & Checklist – U.S Chamber of Commerce](#)