



## Expanded PPP Guidance and Upcoming Deadlines



The Consolidated Appropriations Act, 2021 extended the Paycheck Protection Program for both new and existing borrowers. In this whitepaper we will briefly cover first and second draw loans, recent guidance that expands loan eligibility and approaching deadlines that you need to know.

## First Draw Loans

The Consolidated Appropriations Act, 2021 provided for access to a new round of PPP loans, regardless of whether or not you received a loan in the first round.

First-time borrowers must have 500 or fewer employees, or meet the SBA industry size standard if more than 500, or if in the accommodations and food services industry, have less than 500 per physical location. Borrowers can apply for a PPP loan under slightly revised terms as compared to the first round of PPP loans.

## Second Draw Loans

Borrowers who received a PPP loan in the first round can apply for another loan under the Second Draw Program. Loan amounts are based on the same calculation as before, which is 2.5X qualified monthly payroll, but the loan size is limited to \$2 million.

There are new restrictions to qualify for a second draw loan. Borrowers must have 300 or fewer employees and have experienced a decline in gross receipts of 25% or more during any quarter in 2020 as compared to the same quarter in 2019. If the borrower received a PPP loan in the first round, they must have used, or will use, the full amount of that first PPP loan.

Businesses in the accommodations and food services industry may base the total loan amount on 3.5X the prior year's average or the trailing twelve-month average monthly payroll. Those businesses must have 300 or fewer employees per physical location.



## Recent Guidance

On February 22, the SBA announced four additional changes to open the PPP to more underserved small businesses than ever before. The SBA will:

- Allow sole proprietors, independent contractors, and self-employed individuals to receive more financial support by revising the PPP's funding formula for these categories of applicants.
- Eliminate an exclusionary restriction on PPP access for small business owners with prior non-fraud felony convictions, consistent with a bipartisan congressional proposal.
- Eliminate PPP access restrictions on small business owners who have struggled to make student loan payments by eliminating student loan debt delinquency as a disqualifier to participating in the PPP.
- Ensure access for non-citizen small business owners who are lawful U.S. residents by clarifying that they may use their Individual Taxpayer Identification Number to apply for the PPP.

## Deadlines

On February 24, the SBA established a 14-day, exclusive PPP loan application period for businesses and nonprofits with fewer than 20 employees. The purpose was to provide lenders and community partners more time to work with the smallest businesses to submit their applications, while also ensuring that larger PPP-eligible businesses will have plenty of time to apply for and receive support before the program deadline. The 14-day exclusive period runs from February 24 to March 10, at which time all eligible businesses can apply for a loan until either March 31, 2021, or program funding has been exhausted.

If you have fewer than 20 employees, we encourage you to apply prior to March 10, and for larger organizations, we encourage you to prepare your application now and submit when ready after March 10.



# Final Thoughts

If you need any assistance with your PPP loan application or have any questions, please contact our office.



## About Cain Ellsworth.

Cain Ellsworth is not all things to all people. Instead, we specialize in serving small to medium businesses in banking, manufacturing, property and casualty insurance, plus a variety of other industries. And we dedicate significant resources to assure that we are well-informed in each of them.



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