

Second Draw Paycheck Protection Program Loans

Am I Eligible?

- Many borrowers that received a PPP Loan under the CARES Act ([First Draw PPP Loan](#)) are eligible to receive a second PPP Loan (Second Draw PPP Loan).
- In addition to meeting the original criteria for a First Draw PPP Loan, Second Draw PPP Loan borrowers must:
 - Have used, or will use, the full amount of its First Draw PPP Loan on authorized uses.
 - Employ not more than 300 employees—subject to the SBA affiliation rules (with some exceptions for businesses in the hospitality industry).
 - Have experienced at least a 25% reduction in gross receipts in 2020 compared to 2019 (measured on an annual or quarterly basis).

Am I Ineligible?

- Certain entities that may have been eligible for a First Draw PPP Loan are prohibited from participating in the Second Draw PPP Loan, including:
 - Publicly traded companies.
 - Entities engaged in political or lobbying activities.
 - Entities that have an ownership of 20% or more by a Chinese entity or have a member of its board of directors that is a resident of China.
 - Any person required to submit a registration statement under Section 2 of the Foreign Agents Registration Act.
 - Entities owned or controlled by the President, Vice President, the head of an executive department or a member of Congress (or their spouse).

How Much Can I Borrow?

- Lesser of:
 - 2.5x average monthly payroll cost* incurred in 2019, or
 - \$2,000,000.
- Businesses that are part of a single corporate group shall receive no more than \$4,000,000 in the aggregate.

*Payroll cost is broadly defined and specifically includes benefits costs; maximum per employee annual payroll cost is \$100,000.

What Can I Do with the Money?

In addition to the original authorized uses (payroll costs, mortgage interest, rent, and utilities), Second Draw PPP Loan proceeds* can be used for:

- Worker protection and facility modification expenditures, including PPE, to comply with COVID-19 federal health and safety guidelines made after March 1, 2020.
- Property damage and vandalism costs related to public disturbances in 2020 that were not covered by insurance or other compensation.
- Expenditures to suppliers that are essential at the time of purchase to borrower's current operations and pursuant to a purchase order entered into prior to receiving the loan.
- Payments for business software or cloud computing services.

*Borrowers are still required to spend at least 60% of the funds on payroll costs over a covered period between 8-24 weeks.

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What Documentation Must I Provide?

- PPP Second Draw Borrower Application Form.
- For loans with a principal amount greater than \$150,000, sufficient documentation must be provided to establish a reduction in gross receipts—which may include tax forms or, if tax forms are unavailable, quarterly income statements or bank statements.
- For loans with a principal amount of \$150,000 or less, the borrower will not be required to submit evidence of a reduction in gross receipts until the borrower applies for forgiveness, or if the borrower does not apply for forgiveness, at the SBA's request.
- Form 941, Form 1065 K-1, or Form 1040 Schedule C are sufficient to calculate payroll costs for the relevant period.
- Borrowers using the same period to compute the amount of the Second Draw PPP Loan as was used to compute the amount of the First Draw PPP Loan will not be required to resubmit payroll documentation.

What if I Did Not Receive a First Draw PPP Loan?

- Borrowers may apply for a First Draw PPP Loan through March 31, 2021.
- First-time borrowers will be prioritized over second-time borrowers.

When Can I Apply for My Second Draw PPP Loan?

- Community banks and lending institutions that serve certain minority or women-owned businesses will begin accepting applications the week of January 11, 2021.
- Larger lenders will begin accepting applications at an unspecified later date.
- Application deadline is March 31, 2021.
- Funds may run out prior to the application deadline; borrowers are encouraged to apply early.