

Paycheck Protection Program – Second Draw Under the Economic Aid Act

Program Overview:

The latest COVID-19 relief package signed into law at the end of December included \$284 billion for additional lending to eligible businesses, including those that already received a loan in the first round of the Paycheck Protection Program (PPP). The SBA is reopening the PPP for First Draw Loans on January 11, 2021 and will begin accepting applications for Second Draw PPP loans on January 13, 2021. The last day to apply for and receive a PPP loan is March 31, 2021. Borrowers who previously received a First Draw PPP loan and have used or will use the full amount of the initial PPP loan for authorized purposes may apply for a Second Draw PPP loan, subject to narrower eligibility requirements.

The following information is a brief, non-exhaustive summary of Second Draw PPP loan requirements, as currently found on the SBA's website. This information is in no way intended or provided as legal guidance. The City and County of Denver and Denver International Airport provide no guarantee or assurance regarding the accuracy of the information below. All entities considering applying for a PPP loan should consult with a professional and review all applicable laws and regulations.

Eligible Businesses/ Who Can Apply:

- Eligible small entities, that together with their affiliates (if applicable), have 300 or fewer employees—including nonprofits, veteran's organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors
 - Entities with more than 300 employees in certain industries that meet SBA's alternative size standard or SBA's size standards for those specific industries can also apply
- At least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020
- No publicly traded companies
- Must have been in business on February 15, 2020

Size of Loan:

- 2.5 months of average payroll
 - 3.5 months for restaurants and food businesses (NAICS code beginning in 72)
- No loan may exceed \$2 million, down from the previous cap of \$10 million.
- Must spend over 8- or 24-month period

Eligible Expenses:

- Rent (Note: Airport concessions who wish to receive rent/MAG relief provided separately through the Airport Coronavirus Response Grant Program must not use PPP funds for rent/MAG)
- Mortgage Interest
- Payroll (at least 60% must be used on payroll expenses to receive loan forgiveness)
- Utilities
- Covered Operations Expenditure
- Covered Supplier Costs
- Expenditures towards COVID-19 safety measures for workers and customers (ex. Personal protective equipment)
- Property damage

Loan Forgiveness:

- At least 60% of the loan must be used for payroll expenses. The remaining amounts not used for payroll may be used to cover additional Eligible Expenses (see above).
- Borrowers may be eligible for loan forgiveness if the funds were used for Eligible Expenses during either the 8- or 24-week period after disbursement and employee and compensation levels are maintained in the same manner as required for the First Draw PPP Loan.
- A borrower can apply for forgiveness once it has used all loan proceeds for which the borrower is requesting forgiveness.
- If borrowers do not apply for forgiveness within 10 months after the last day of the covered period, then PPP loan payments are no longer deferred and borrowers will begin making loan payments to their PPP lender.
- Businesses that borrowed \$150,000 or less will need to submit a one-page certification that includes the number of employees the business retained as a result of the loan, an estimate of how much of the loan was spent on payroll, and the total loan amount.
- Steps:
 1. Contact your PPP Lender and complete the correct form(s)
 2. Compile your documentation (payroll vs. nonpayroll)
 3. Submit the forgiveness form and documentation to your PPP Lender
 4. Continue to communicate with your Lender throughout the process

Loan Details:

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses.

- PPP loans have an interest rate of 1%.
- Loans issued prior to June 5 have a maturity of 2 years. Loans issued after June 5 have a maturity of 5 years.
- Loan payments will be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower's loan forgiveness (either 8 weeks or 24 weeks).
- No collateral or personal guarantees are required.
- Neither the government nor lenders will charge small businesses any fees

How to Apply:

- Borrowers can apply until March 31, 2021, through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, eligible non-bank lender, or Farm Credit System institution that is participating in PPP.

For additional information from the Small Business Administration regarding the Paycheck Protection Program, please visit their website at: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>