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PAYCHECK PROTECTION PROGRAM SECOND DRAW LOANS

The Paycheck Protection Program (PPP) now allows certain eligible borrowers that previously received a PPP loan to apply for a Second Draw PPP Loan with the same general loan terms as their First Draw PPP Loan. Second Draw PPP Loans can be used to help fund payroll costs, including benefits. Funds can also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations.

Full Forgiveness Terms

Second Draw PPP Loans made to eligible borrowers qualify for full loan forgiveness if during the 8- to 24-week covered period following loan disbursement:

- Employee and compensation levels are maintained in the same manner as required for the First Draw PPP loan;
- The loan proceeds are spent on payroll costs and other eligible expenses; and
- At least 60 percent of the proceeds are spent on payroll costs.

Targeted Eligibility

A borrower is generally eligible for a Second Draw PPP Loan if the borrower:

- Previously received a First Draw PPP Loan and will or has used the full amount only for authorized uses;
- Has no more than 300 employees; and
- Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020.

Maximum Loan Amount and Increased Assistance for Accommodation and Food Services Businesses

For most borrowers, the maximum loan amount of a Second Draw PPP Loan is 2.5x average monthly 2019 or 2020 payroll costs up to \$2 million. For borrowers in the Accommodation and Food Services sector (click [HERE](#) for NAICS 72 to confirm), the maximum loan amount for a Second Draw PPP Loan is 3.5x average monthly 2019 or 2020 payroll costs up to \$2 million.

How and When to Apply

Borrowers can apply for a Second Draw PPP Loan 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. All Second Draw PPP Loans will have the same terms regardless of lender or borrower. A list of participating lenders as well as additional information and full terms can be found [HERE](#).

Ensuring Access for All

SBA continues to call upon its lending partners, including Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs), to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities. At least \$25 billion is being set aside for Second Draw PPP Loans to eligible borrowers with a maximum of 10 employees or for loans of \$250,000 or less to eligible borrowers in low- or moderate-income neighborhoods. To promote access for smaller lenders and their customers, SBA will initially only accept Second Draw PPP Loan applications from community financial institutions starting on January 13, 2021. The PPP will open to all participating lenders for Second Draw PPP Loans shortly thereafter.

Visit www.sba.gov or www.treasury.gov for more information and details, including the comprehensive program rules.

