



U.S. Small Business
Administration

This PPT is based on a summary of the legislation as of today, January 7, 2021, and not official SBA directive.

The SBA works to ignite change and spark action so small businesses can confidently



• **START** • **GROW** • **EXPAND** • **RECOVER**

Everything New

- Paycheck Protection Program (PPP) Round 2
 - Program improvements
 - Increased appropriations
- Economic Injury Disaster Loans (EIDL) Extension
- Support for Venues via Grants
- Economic Injury Disaster Loan (EIDL) Advances
- Changes to traditional SBA Lending Programs

Paycheck Protection Program Round 2 Highlights

- Features a combination of program clarifications, improvements and the addition of second-draw loans for eligible businesses
- \$284.45B appropriated
 - \$25M set aside for Minority Business Development Centers to assist business enterprises with PPP technical assistance
 - \$50M set aside for SBA for PPP auditing and fraud mitigation
- PPP Round 2 extended to March 31, 2021
- Businesses Eligibility and eligible expenses have been expanded
- PPP Forgiveness for loans under \$150,000 streamlined
- Set asides for CDFIs, MDIs, microloan program

PPP Round 2 Eligibility

- Eligible businesses include:
 - Sole proprietors
 - Independent contractors
 - Self-employed individuals
 - Certain non-profits
 - Seasonal employers
 - Faith-based organizations with less than 150 employees
 - Housing cooperatives employing less than 300 people
- Ineligible businesses include:
 - Lobbying organizations Lenders and financial services businesses
 - Businesses that deal with products illegal at the federal level
 - Household employees
 - Businesses that had defaulted on an SBA or federal loans
 - Entities that have received or will receive a grant under the Shuttered Venue Operator Grant Program
 - Any businesses at least partially owned by someone who is currently incarcerated, on probation, parole, or has been convicted of a felony within the last 5 years

PPP Round 2 Eligibility continued

- To be eligible for first PPP loan (first-draw), business must:
 - Have less than 500 employees
 - Have been operational before February 15, 2020, and remains operational
- To be eligible for second PPP loan (second-draw), business must:
 - Have less than 300 employees
 - Demonstrate revenue reduction of at least 25% in first three quarters of 2020 when compared to 2019
 - Have used the first PPP loan
 - Have been operational before February 15, 2020, and remains operational

PPP Round 2 Loan Amounts

- First-draw loans
 - 2.5x the average monthly payroll and healthcare costs in 2019
 - Maximum of \$10 million
- Second-draw loans
 - 2.5x the average monthly payroll and healthcare costs either in year prior to first-draw loan or within the calendar year of
 - Accommodations and Food Services (NAICS code 72) may receive up to 3.5x average monthly payroll and healthcare costs
 - Maximum of \$2 million
- Calculation for PPP amount = 2019 Payroll x 2.5 (or 3.5) divided by 12

PPP Round 2 Loan Terms

- All PPP loans have a fixed interest rate of 1%, which is non-compounding and non-adjustable for first and second-draw loans
- Lenders may not charge a yearly fee, a prepayment penalty, or a guaranteed fee
- Maturity of a PPP loan is five years
- Deferral period lasts until the forgiveness amount is determined; borrowers who fail to apply for forgiveness must start making loan payments within ten month of the last day of the covered period
- PPP funds must be used within the covered period
 - Business may choose a covered period between 8 to 24 weeks after receiving the loan

PPP Round 2 Covered Expenses

- For a PPP loan to receive full or partial forgiveness, loan money must be spent on covered expenses
- At least 60% must be spent on payroll costs, insurance, and owner compensation costs
- 40% or less may be spent on utilities, rent, mortgage, as well as the **following new expenses:**
 - Costs related to property damage, vandalism, or looting due to unrest
 - Supplier costs related to essential business operation
 - PPE for businesses to comply with federal and state COVID19 safety guidelines
 - Operational payments for software, cloud computing, and other HR and accounting needs

Streamlined Forgiveness

- Bill has a new forgiveness application that will hopefully make obtaining forgiveness easier for borrowers with PPP loans less than \$150,000
- Will be a one-pager that requires the borrower signs and certifies a description of
 - The number of employees retained because of the loan
 - The estimated total amount of the loan spent on payroll costs
 - The total loan amount

EIDL Extension

- EIDL loan applications will continue to be accepted through December 2021, pending the availability of funds
 - Interest rate of 3.75% for small businesses
 - Interest rate of 2.75% for non-profit organizations
- 30-year maturity and an automatic deferment of one year before monthly payments begin

Venue Support

Grants for Shuttered Venue Operators

- \$15B for SBA grants to eligible live venue operators with 25%+ revenue reduction (operators, promoters, live performing arts orgs, museums, motion picture theaters, and more).
 - \$2B 60-day set aside for those with fewer than 50 full-time employees.
 - Up to \$10 million dollars may be granted to eligible entities, plus a supplemental grant equal to 50% of initial grant.
- Award timelines: initial 14 days for entities with 90%+ greater revenue loss; following 14-day period for entities w/ 70%+ loss, then awards to all other eligible entities.
- Uses: payroll costs, rent, utilities, and personal protective equipment.

Targeted EIDL Advances

Targeted EIDL Advance for Small Business Continuity, Adaptation, and Resiliency

- Entities in low-income communities that received an EIDL Advance under Section 1110 of the CARES Act are eligible to receive an amount equal to the difference of what the entity received under the CARES Act and \$10,000.
- Provides \$10,000 grants to eligible applicants in low-income communities that did not secure grants because funding had run out.

Repeals EIDL Advance Deduction from PPP Forgiveness

- Repeals the requirement that PPP borrowers must deduct the amount of their EIDL advance from their PPP forgiveness amount.
- Ensures borrowers are made whole if they received forgiveness and their EIDL was deducted from that amount.

Extension of Debt Relief Program

- Resumes the payment of P&I on small business loans guaranteed by the SBA under the 7(a), 504 and microloan programs.
- All borrowers with qualifying loans approved by the SBA prior to the CARES Act will receive an additional three months of P&I, starting in February 2021. Payments will be capped at \$9K per borrower per month.
- After the three-month period, underserved borrowers will receive an additional five months of P&I payments.

7(a) Modifications

- Increases the loan guarantee amount to 90% on 7(a) loans, including for Community Advantage loans, until October 1, 2021.
- Increases the Express Loan amount from \$350,000 to \$1 million on January 1, 2021, and then reverts permanently to \$500,000 on October 1, 2021.
- The Express Loan guaranty amount for loans of \$350,000 and less is temporarily increased from 50% to 75%, and for loans above \$350,000 the guarantee remains at 50%. On October 1, 2021, the guarantee reverts to 50% percent for all Express Loans.

Fee Reductions & Refinancing

- Waives lender and borrower fees for both the 7(a) and 504 loan programs.
- Enhances the 504 refinancing rules in order to create reciprocity for refinancing between 504 and 7(a) programs.
- Grants authority through September 30, 2023 for SBA to establish a 504 Express Loan Program for the most experienced successful 504 lenders to expedite 504 loans of less than \$500,000.

Microloan and 8(a) Modifications

- Temporarily increases the outstanding aggregate amount each intermediary may borrow from \$6M to \$10M increases time that borrowers can repay their loans from 6 to 8 years.
- Allows intermediaries to access more technical assistance funding if they serve rural areas.
- Temporarily waives limitations for the technical assistance grants and the 50% limitation on pre-loan technical assistance and provides \$50M in additional funding for Microloan Technical Assistance funding for lenders and \$7M to leverage about \$64M more in microloans to businesses.
- Allows businesses in the 8(a) program to seek an enrollment extension of 1 year.

Any Questions?



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SBA and its programs

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