

Small Business Administration Re-Opening Paycheck Protection Program (1/19/2021)

The U.S. Small Business Administration has re-opened the Paycheck Protection Program (PPP) for new borrowers and certain existing PPP borrowers. To promote access to capital, initially, only community financial institutions could make first draw PPP loans, although the PPP is now open to all participating lenders.

First draw PPP loans are for those borrowers who did not receive a PPP loan before August 8, 2020. The first round of the PPP, which ran from March to August 2020, was a historic success helping 5.2 million small businesses keep 51 million American workers employed.

Second draw PPP loans are for eligible small businesses that already received a PPP loan but require additional funds. To qualify for a second draw loan, the borrower must have 300 employees or less, must have received a first draw PPP loan and will use or have used the full amount only for authorized uses, and must demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. The maximum amount of a second draw PPP loan is \$2 million.

In connection with the announcement, the SBA announced additional updates to the PPP, including:

- Borrowers can set their loan's covered period to be any length between 8 and 24 weeks to best meet their business needs;
- PPP loans can cover additional expenses, including operations expenditures, property damage costs, supplier costs, and worker protection expenditures;
- PPP eligibility expanded to include 501(c)(6)s, housing cooperatives, and destination marketing organizations, among other types of organizations; and
- The PPP now provides greater flexibility for seasonal employees.