

SBA PPP – Economic Aid Act Developments*

January 11, 2021

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (“Economic Aid Act”) became law extending the Paycheck Protection Program (“PPP”) through March 31, 2021 and updating various PPP requirements. To address the changes made by the Economic Aid Act, the Small Business Administration (“SBA”) released two interim final rules: (i) Interim Final Rule on PPP as Amended by Economic Aid Act, and (ii) Interim Final Rule on Second Draw Loans.

The Economic Aid Act and the SBA’s interim final rules impact (i) certain existing PPP loans, (ii) new First Draw PPP Loans, and (iii) Second Draw PPP Loans. Below are some circumstances that may be helpful to you in navigating the updated PPP requirements.

Bank Leumi looks forward to assisting its clients with their PPP requests as soon as all of the new developments are finalized and incorporated into the appropriate processes.

Click the applicable links for full text of the interim final rules: (i) [Interim Final Rule on PPP as Amended by Economic Aid Act](#), and (ii) [Interim Final Rule on Second Draw Loans](#).

Please review the below circumstances to be referred to key provisions of the new SBA rules that may be of interest to you.

A. If you would like to apply for a Second Draw PPP Loan...

- **Eligibility:** There are different eligibility requirements for applicants of Second Draw PPP Loans, including different employment level thresholds and the need to have experienced a revenue reduction of at least 25% between 2019 and 2020.
 - Additional information about this topic can be found in the following sections of the Interim Final Rule on Second Draw Loans:
 - [\(c\) Who is eligible for a Second Draw PPP Loan?](#)
 - [\(d\) How Do SBA’s affiliation rules affect an applicant’s eligibility for a Second Draw PPP Loan?](#)
 - [\(e\) Who is not eligible for a Second Draw PPP Loan?](#)
- **Loan Amount Calculation:** Second Draw PPP Loan amounts are capped at \$2 million for individual borrowers and \$4 million for corporate groups. Borrowers may use payroll costs from calendar year 2019, calendar year 2020, or, in certain cases, from the previous twelve-consecutive months to calculate their maximum loan amount for their Second Draw PPP Loan. Certain Borrowers with NAICS codes beginning with 72 may apply for 3.5x the applicable monthly payroll costs to calculate Second Draw PPP Loan amount.
 - Additional information about this topic can be found in the following section of the Interim Final Rule on Second Draw Loans:
 - [\(f\) What is the maximum amount for a Second Draw PPP Loan?](#)
- **Process:** SBA has published a new application ([Form 2483-SD](#)) for Second Draw Loans requiring supporting documentation for eligibility and loan amount calculations.
 - Additional information about this topic can be found in the following section of the Interim Final Rule on Second Draw Loans:
 - [\(g\) How do I submit an application for a Second Draw PPP Loan and what documentation must I provide to demonstrate eligibility?](#)

**This communication is for informational purposes only and is not legal advice. Please contact your legal counsel for information related to how SBA interim final rules and guidance impact your business specifically.*



B. If you have not yet applied for forgiveness (or applied but have not yet received a decision by SBA)...

- Streamlined Forgiveness: PPP loans \$150,000 and under will have a streamlined forgiveness process.
 - Expanded Permissible Uses: There are new permissible uses for PPP funds, including certain operations expenditures, property damage costs, supplier costs, and worker protection expenditures.
 - Covered Period Calculation: The covered period is now anytime between eight (8) and twenty-four (24) weeks from the date of disbursement, at the preference of the Borrower.
 - Additional guidance and forms relating to the above changes are expected. Additional information about this topic can be found in the following section of the Interim Final Rule on PPP as Amended by Economic Aid Act:
 - *What do Borrowers Need to Know and Do?* [Question 14 - Can my PPP loan be forgiven in whole or in part?](#)
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C. If you have received an EIDL Advance from the SBA...

- No More Deductions: SBA will no longer deduct the EIDL Advance Amount from your eligible forgiveness. If you have an outstanding PPP balance due to the SBA previously deducting your EIDL Advance Amount from eligible forgiveness, such amount, together with interest, will be remitted to your lender by SBA.
 - Additional information about this topic can be found in the following section of the Interim Final Rule on PPP as Amended by Economic Aid Act:
 - *What do Borrowers Need to Know and Do?* [Question 14 - Can my PPP loan be forgiven in whole or in part?](#)
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D. If you (i) returned all or some of the PPP funds disbursed to you, (ii) accepted less than the full amount of the approved PPP loan, (iii) are a partnership that did not include partnership compensation in its payroll costs for PPP loan amount calculation, or (iv) are a seasonal employer that received a loan before December 27, 2020...

- Additional Funds for First Draw PPP Loans: SBA has provided guidance on which Borrowers are eligible to either (1) reapply for a First Draw PPP Loan if they returned all or some of the funds, or (2) request an increase in the amount of their First Draw PPP Loan based on the updated PPP requirements.
 - Additional guidance and forms relating to the above changes are expected. Additional information about this topic can be found in the following section of the Interim Final Rule on PPP as Amended by Economic Aid Act:
 - *What do Both Borrowers and Lenders Need to Know and Do?* [Question 6 - If a partnership received a PPP loan that did not include any compensation for its partners, can the loan amount be increased to include partner compensation?](#)
 - *What do Both Borrowers and Lenders Need to Know and Do?* [Question 7 - If a seasonal employer received a PPP loan before December 27, 2020, can the loan amount be increased based on a revised calculation of the maximum loan amount?](#)
 - *What do Both Borrowers and Lenders Need to Know and Do?* [Question 8 - Which other PPP borrowers can reapply or request an increase in their PPP loan amount?](#)
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E. If you would like to apply for a new First Draw PPP Loan as part of the extended PPP...

- PPP Requirement Updates: There have been updates relating to the eligibility requirements for the PPP, maximum loan amount calculation, permitted uses of PPP funds, and required certifications for PPP applicants.
- SBA published an [updated application form](#) relating to the above changes. Additional information about this topic can be found in the following section of the Interim Final Rule on PPP as Amended by Economic Aid Act:
 - [What do Borrowers Need to Know and Do? Question 1 – What businesses, organizations, and individuals are eligible?](#)
 - [What do Borrowers Need to Know and Do? Question 2 – What businesses, organizations, and individuals are ineligible?](#)
 - [What do Borrowers Need to Know and Do? Question 3 – Affiliation rules generally](#)
 - [What do Borrowers Need to Know and Do? Question 4 – I have determined that I am eligible. How much can I borrow?](#)
 - [What do Borrowers Need to Know and Do? Question 10 – What forms do I need and how do I submit an application for a PPP loan?](#)
 - [What do Borrowers Need to Know and Do? Question 11 – How can PPP loans be used?](#)
 - [What do Borrowers Need to Know and Do? Question 12 – What certifications need to be made?](#)

The SBA continues to update its guidance and publish clarifying interim final rules. Please monitor for such updates [here](#).

If you have any questions about this alert, please contact your Bank Leumi representative.