

The COVID -19 relief bill was signed by President Trump on December 27th. The bill provides more than \$284 billion to the U.S. Small Business Association (SBA) for first and second PPP forgivable small business loans. The new round of PPP or PPP2 as some are calling it, contains many similarities to the first round of the PPP, but does have several differences.

Who is eligible to apply?

PPP2 loans will be available to first-time qualified borrowers and to businesses that previously received a PPP loan. The bill imposes additional limitations for PPP2 with respect to eligibility:

- Have 300 or fewer employees
- Have used or will use the full amount of their first PPP loan
- Must have been in business as of February 15, 2020
- For second draw borrowers, they must be able to show a gross revenue decline in any 2020 quarter compared with the same quarter in 2019 of 25% or more.

What is the definition of Gross Receipts?

- All revenue in whatever form received or accrued
- Sales of products or services, interest, dividends, rents, royalties, fees or commissions.
- Total income

How much money can a business borrow?

The calculation is similar to PPP1 in that it is a multiple of an average payroll amount, with a cap.

- 2.5 times the average total monthly payroll
- \$2 Million maximum loan amount

How is the average monthly payroll calculated?

- One-year period before the date on which the loan is made (for example, if a borrower is applying in February 2021, then the borrower could use February 2020 through January 2021, or if applying in January 2021, then the borrower could use calendar year 2020)
- Calendar year 2019

What if I am a restaurant, lodging, food services or similar business?

The new bill allows a maximum loan amount of 3.5 times average monthly payroll for borrowers with a NAICS Code beginning with 72*

How can a business spend the money?

Must use at least 60% of the loan on payroll for forgiveness. In addition to the expenses previously allowed for under the PPP program (payroll, benefits, rent utilities, mortgage interest and transportation costs) the bill expands the definition of covered expenses to include:

- Covers operations expenditures
- Covers property damage costs due to vandalism or looting due to public disturbances that occurred in 2020 and not covered by insurance
- Covers supplier costs
- Covers worker protection expenditures to facilitate the adaptation of the business activities of an entity to comply with requirements established or guidance issued by the Department of Health and Human Services.

How long does a business have to use the money?

Like PPP1, PPP2 allows for businesses to select from an 8- or 24-week period for the covered period of expenses.

When will businesses have to start repaying this loan?

The standard repayment term allows for the first payment to be deferred 10-months after the borrower's covered period ends. For example, if a business uses 8-weeks for their covered period, the first payment will not be due until 12 months after the loan is disbursed. This timeframe of course will apply only to businesses that do not receive PPP Loan Forgiveness after the use of their loan funds.

What if the loan is under \$150,000?

Congress has allowed for a streamlined or automatic forgiveness process for both the PPP1 and PPP2 loans. Further details are to be provided by the SBA in the upcoming weeks.

When can a business get the PPP2?

For the first three days, only community financial institutions with assets under \$10 billion that are designated low income will have access to the PPP loan portal. After that, the portal will be open for all businesses to apply.

What can business owners do to prepare to receive the PPP2 second draw? Gather and be ready to electronically submit as needed:

- Revenue Reduction Support – Internal financial statements and bank statements to help support this important update to the PPP program.
- Payroll Records – To confirm their business was in operation February 15, 2020 and be able to show support for their PPP Loan request.
- Business Documents – Their business articles of incorporation or organization, State of Michigan business filings and a W-9.

- Personal Information – Valid, current photo ID
- Business & Personal Tax Returns – Have available if needed.
- If a businesses had a PPP1 loan with us, additional documentation may not be required because the we could have the relevant documentation supporting the borrower's payroll costs.

If business has more questions, who should we contact?

You can reach out to Mark, Andrea or Chris to help answer any of the questions at commercialteam@tbacu.com .