

## Guidance on Second-Draw Paycheck Protection Program (PPP) Loan

This summary includes information that can help you determine your eligibility and prepare documentation for your Second-Draw PPP loan (for second-time PPP borrowers) application with First Southwest Bank.

### Quick Highlights

- CDFI banks, like First Southwest Bank, have early access and a designated portion of funds to lend small businesses
- SBA will initially only accept Second-Draw applications from CDFIs, like First Southwest Bank, starting on January 13
- Certain eligible borrowers that previously received a PPP loan are now allowed to apply for a Second-Draw PPP Loan with the same general loan terms as their First-Draw PPP loan
- Second-Draw PPP loans up to \$150,000, where borrowers use the same lender, can opt to use 2019 documentation already provided from First-Draw PPP application for a streamlined Second-Draw application
- 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
- Deadline to apply is March 31, 2021 or until funds are depleted

### Loan Facts

- Maximum loan amount is 2.5x average monthly payroll costs for 2019 or 2020 up to \$2 million. For borrowers in the Accommodation and Food Services sector (NAICS 72), the maximum loan amount for a Second-Draw PPP loan is 3.5x average monthly 2019 or 2020 payroll costs up to \$2 million
- Payroll costs are capped at \$100,000 on an annualized basis for each employee
- Second-Draw PPP loans will have a 1% interest rate, and a 5-year term
- No participation fees or prepayment fees, no collateral, and no guarantee

### Loan Forgiveness

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.
- Additional forgiveness information will be posted here soon: [First Southwest Bank PPP Forgiveness Resource Page](#)

### Who Can Apply

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 before the Second-Draw PPP loan is disbursed;
- Has no more than 300 employees (exception for NAICS 72 businesses);
- Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020; and
- Was in business by 2/15/2020.

### 25% Gross Receipts Reduction and Quarterly Breakdown

- If the entity was in business:
  - All of 2019
    - then it might be eligible for a Second-Draw if: Gross receipts from any quarter in 2020 dropped 25%+ from the comparable quarter in 2019
  - Q3 and Q4 2019 (but not in business during Q1 or Q2 2019)
    - then it might be eligible for a Second-Draw if: Gross receipts from Q1, Q2, Q3, or Q4 2020 dropped 25%+ from either Q3 or Q4 2019
  - Q4 of 2019 (but not in business during Q1, Q2, or Q3 2019)
    - then it might be eligible for a Second-Draw if: Gross receipts from Q1, Q2, Q3, or Q4 2020 dropped 25%+ from Q4 2019
  - On 2/15/2020 (but not in business during 2019)
    - then it might be eligible for a Second-Draw if: Gross receipts from Q2, Q3, or Q4 2020 dropped 25%+ from Q1 2020
- Borrowers of less than \$150,000 don't have to provide 25% reduction documentation when they apply, but they must either provide it during the application, during the forgiveness application, or upon SBA request. Relevant tax forms, quarterly financial statements, or bank statements are acceptable documentation

### Documentation Needed for Application

Second-Draw PPP loans up to \$150,000, where borrowers use the same lender, can opt to use 2019 documentation already provided from their First-Draw PPP application for a streamlined Second-Draw application. Otherwise, documentation to provide include:

- **IRS Payroll Tax Filing Report:** Copies of payroll tax reports filed with the IRS (including Forms 941, 940, state income and unemployment tax filing reports) for the entire year of 2019 and first quarter of 2020 (if available) should be presented.
- **Payroll Documentation:** Copies of payroll reports for each pay period for the preceding 12 months. Such reports should include gross wages including PTO (which might include vacation, sick, and other PTO). This includes payroll reports through the pay period preceding the origination of the SBA loan
- **Health Insurance Premiums Documentation:** Documentation reflecting the health insurance premiums paid by the company under a group health plan including owners of the company for the immediately preceding 12 months prior to the date of the SBA loan origination. Copies of the monthly invoices should suffice.
- **Retirement Plan Funding Documentation:** Documentation of all retirement plan funding by the employer for the immediately preceding 12 months. Copies of workpapers, schedules and remittances to the retirement plan administrator should be sufficient.
- **Mortgage, Rent, Utility Documentation:** Documentation, including cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payment on covered mortgage obligations, payment on covered lease obligations and covered utility payments.
- **Partnerships Documentation:** IRS Form 1065 (including Schedule K-1s)

### Ensuring Access for All

At least \$25 billion is being set aside by the SBA 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.



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### Broadened Expenses

Eligible PPP expenses are deductible. Payroll expenses must still account for 60% of PPP loan funds spent for the loan to be forgiven. But other additional expenses now include:

- **Operations expenditures:** Business software; cloud computing services; product or service delivery; payroll expense processing, payment, or tracking; human resources, sales, and billing functions; accounting or tracking of supplies and inventory
- **Property damage costs:** Costs related to vandalism or looting due to public disturbances in 2020 if not covered by insurance or other compensation
- **Certain supplier costs:** Including those for perishable goods
- **Worker protection costs:** Capital or operating expenses related to complying with requirements or guidance from the Centers for Disease Control, the Department of Health and Human Services, the Occupational Safety and Health Administration, or equivalent state or local government agencies after March 1. These can include items from personal protective equipment, ventilation changes, and health screenings.

*These details may change with further guidance from the SBA and the Treasury. For additional instructions, please see SBA Form 2483-SD here: <https://home.treasury.gov/system/files/136/PPP-Second-Draw-Borrower-Application-Form.pdf>*

