

SBA

The image features the letters 'SBA' in a bold, white, sans-serif font centered on a dark blue background. Above the letters is a white bracket-like shape consisting of a horizontal line with short vertical bars at each end. Below the letters is a red bracket-like shape, also consisting of a horizontal line with short vertical bars at each end, mirroring the white bracket above.

# Agenda

**Sources** used for this presentation, and **budget**.

## Summary of Economic Relief Act

### 1. PPP

- 1<sup>st</sup> Draw PPP Loans
- 2<sup>nd</sup> Draw PPP Loans
- PPP Forgiveness

### 2. EIDL Grants & Loans

### 3. Shuttered Venue Grants

### 4. Debt Relief *(existing SBA loans, non-disaster)*

### 5. SBA Lending Changes *(to SBA non-disaster lending)*

## Recommendations for Small Businesses

# Sources:

## Current Guidance and Forms

**Summary of Economic Aid Act** (HR 133), Division N Title III located at [www.congress.gov/bill/116th-congress/house-bill/133/](https://www.congress.gov/bill/116th-congress/house-bill/133/)

### Guidance & Resources

- [Accessing Capital for Minority Underserved, Veteran and Women-Owned Business Concerns Guidance](#) (Released 1/6/21)
- [Top-Line Overview of First Draw PPP Loans](#) (Released 1/8/21)
- [Top-Line Overview of Second Draw PPP Loans](#) (Released 1/8/21)
- [Interim Final Rule #1 – PPP as Amended by Economic Aid Act](#) (Released 1/6/21)
- [Interim Final Rule #2 – PPP Second Draw Loans](#) (Released 1/6/21)
- [Procedural Notice – Modifications to SBA Forms 3506, 3507 and 750 CA \(PPP only\)](#) (Released 1/8/21)
- [Procedural Notice - SBA Procedural Notice on Repeal of EIDL Advance Deduction Requirement](#) (Released 1/8/21)

### Updated PPP Application Forms

- [Form 2483 – First Draw Borrower Application](#) (Updated 1/8/21)
- [Form 2483-SD – Second Draw Borrower Application](#) (Released 1/8/21)

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# Budget

## Section 23: Commitment Authority and Appropriations.

- Extends the time of the program to March 31, 2021.
- Direct appropriations:
  - \$284.45 billion for PPP, including the following set-asides:
    - Lenders:
      - \$15 billion for PPP loans (initial and second draw) issued by community financial institutions, including community development financial institutions (CDFIs) and minority depository intuitions (MDIs);
      - \$15 billion for PPP loans (initial and second draw) issued by certain small depository institutions.
    - Borrowers:
      - \$35 billion for first-time borrowers, \$15 billion of which for smaller, first-time borrowers with 10 or fewer employees, or loans less than \$250,000 in low-income areas;
      - \$25 billion for second draw PPP loans for smaller borrowers with 10 or fewer employees, or loans less than \$250,000 in low-income areas.
    - After 25 days, the SBA Administrator may adjust the set-asides as necessary.
  - \$25 million for the Minority Business Development Centers program under the Minority Business Development Agency (MBDA);
  - \$50 million for PPP auditing and fraud mitigation purposes;
  - \$20 billion for the Targeted EIDL Advance program, of which \$20 million for the Inspector General;
  - \$57 million for the Microloan program as described in section 29;
  - \$1.9 billion to carry out sections 26, 27, and 28;
  - \$3.5 billion for the Debt Relief program as described in section 25;
  - \$15 billion for grants for live venues as described in section 24.

# 1<sup>st</sup> Draw PPP Loans

#### Section 04: Additional Eligible Expenses.

- Makes the following expenses allowable and forgivable uses for Paycheck Protection Program funds:
  - Covered operations expenditures. Payment for any software, cloud computing, and other human resources and accounting needs.
  - Covered property damage costs. Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
  - Covered supplier costs. Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
  - Covered worker protection expenditure. Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent State and local guidance related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration.
- Redesignates Section 1106 of the CARES Act and other subsequent conforming amendments as section 7A. This would transfer section 104 of this title to the end of section 7 of the Small Business Act (15 U.S.C. 631 et seq.). Relevant sections to follow contain this technical redesignation.
- Allows loans made under PPP before, on, or after the enactment of this act to be eligible to utilize the expanded forgivable expenses except for borrowers who have already had their loans forgiven.

#### Section 06: Selection of Covered Period for Forgiveness.

- Allows the borrower to elect a covered period ending at the point of the borrower's choosing between 8 and 24 weeks after origination.

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**Section 08: Specific Group Insurance Payments as Payroll Costs.**

- Clarifies that other employer-provided group insurance benefits are included in payroll costs. This includes, group life, disability, vision, or dental insurance.
- Applies to loans made before, on, or after the date of enactment, including the forgiveness of the loan.

**Section 09: Demographic Information.**

- Requires the SBA to include a voluntary demographic information section on the loan origination application for initial PPP loans and second draw PPP loans. All PPP loan applications after enactment must include this section.

**Section 10: Clarification of and Additional Limitations on Eligibility.**

- Clarifies that a business or organization that was not in operation on February 15, 2020 shall not be eligible for an initial PPP loan and a second draw PPP loan.
- Prohibits eligible entities that receive a grant under the Shuttered Venue Operator Grants from obtaining a PPP loan.

**Section 12: Increased Ability for Paycheck Protection Program Borrowers to Request an Increase in Loan Amount Due to Updated Regulations.**

- Requires the Administrator to release guidance to lenders within 17 days of enactment that allows borrowers who returned all or part of their PPP loan to reapply for the maximum amount applicable so long that they have not received forgiveness. Additionally, this section allows borrowers whose loan calculations have increased due to changes in interim final rules to work with lenders to modify their loan

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## Section 18: Eligibility of 501(c)(6) and Destination Marketing Organizations for Loan Under the Paycheck Protection Program.

- **Expands eligibility** to receive a Paycheck Protection Program loan to include the following organizations:
  - **501(c)(6) organizations** if:
    - The organization **does not receive more than 15 percent of receipts from lobbying**;
    - The lobbying activities **do not comprise more than 15 percent of activities**;
    - The cost of lobbying activities of the organization **did not exceed \$1,000,000** during the most recent tax year that ended prior to February 15, 2020 and
    - The organization has **300 or fewer employees**.
    - Professional sports leagues and organizations with the purpose of promoting or participating in a political campaign or other political activities are not eligible under this section.
  - **Destination Marketing Organizations** if:
    - The organization does not receive more than 15 percent of receipts from lobbying;
    - The lobbying activities do not comprise more than 15 percent of activities;
    - The organization has 300 or fewer employees; and
    - That destination marketing organization is registered as a 501(c) organization, a quasi-government entity, or a political subdivision of a state or local government.

## Section 42: Prohibition of Eligibility for Publicly Traded Companies.

- **Excludes publicly traded companies from PPP** eligibility.

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### Section 17: Eligibility of News Organizations for Loans under the Paycheck Protection Program.

- Makes eligible FCC broadcast station license holders and newspapers with more than one physical location, as long as the business has no more than 500 employees per physical location or the applicable SBA size standard; and makes eligible nonprofit or tax-exempt private and public colleges and universities that have a public broadcasting station if:
  - The organization certifies that the loan will support locally focused or emergency information.
- Waives affiliation rules for newspapers, TV and radio broadcasters, as long as the organization has no more than 500 employees per physical location or the applicable SBA size standard, as well as for nonprofit public broadcasters.
- Provides that, for the purposes of determining whether an applicant is an eligible affiliated entity, the Administrator shall not consider whether an affiliated entity is an issuer.

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# 2<sup>nd</sup> Draw PPP Loans

### Section 11: Paycheck Protection Program Second Draw Loans.

- Creates a **second loan** from the Paycheck Protection Program, called a “PPP second draw” loan for smaller and harder-hit businesses, with a **maximum amount of \$2 million**.
- Eligibility. In order to receive a Paycheck Protection Program loan under this section, eligible entities must:
  - Employ **not more than 300 employees**;
  - **Have used or will use the full amount of their first PPP** and
  - Demonstrate at least a **25 percent reduction in gross receipts in the first, second, or third quarter of 2020 relative to the same 2019 quarter**. Provides applicable timelines for businesses that were not in operation in Q1, Q2, and Q3, and Q4 of 2019. Applications submitted on or after January 1, 2021 are eligible to utilize the gross receipts from the fourth quarter of 2020.
- Eligible entities must be **businesses, certain non-profit organizations, housing cooperatives, veterans’ organizations, tribal businesses, self-employed individuals, sole proprietors, independent contractors, and small agricultural co-operatives**.
- Ineligible entities include: entities listed in 13 C.F.R. 120.110 and subsequent regulations except for entities from that regulation which have otherwise been made eligible by statute or guidance, and except for nonprofits and religious organizations; entities involved in **political and lobbying activities** including engaging in advocacy in areas such as public policy or political strategy or otherwise describes itself as a think tank in any public document, entities affiliated with entities in the **People’s Republic of China**; registrants under the **Foreign Agents Registration Act**; and entities that receive a **grant under the Shuttered Venue** Operator Grant program.

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# Documenting the 25% Reduction in Gross Receipts

1. **Quarterly financial statements**
  - If not audited, Applicant must sign and date the first page of the financial statement and initial all other pages
  - If gross receipts aren't specifically identified, Applicant must annotate accordingly.
2. Quarterly or monthly **bank statements** for the entity showing deposits from the relevant quarters
  - Applicant must annotate, if it is not clear, which deposits listed on the bank statement constitute gross receipts.
3. **Annual IRS income tax filings** of the entity
  - Required if using an annual reference period
  - If the entity has not yet filed a tax return for 2020, the Applicant must fill out the return forms, compute the relevant gross receipts value, and sign and date the return, attesting that the values that enter into the gross receipts computation are the same values that will be filed on the entity's tax return.

# 25% Reduction in Gross Receipts

- (AA) except as provided in subitems (BB), (CC), and (DD), had gross receipts during the first, second, third, or, only with respect to an application submitted on or after January 1, 2021, fourth quarter in 2020 that demonstrate not less than a 25 percent reduction from the gross receipts of the entity during the same quarter in 2019; “
- (BB) if the entity was not in business during the first or second quarter of 2019, but was in business during the third and fourth quarter of 2019, had gross receipts during the first, second, third, or, only with respect to an application submitted on or after January 1, 2021, fourth quarter of 2020 that demonstrate not less than a 25 percent reduction from the gross receipts of the entity during the third or fourth quarter of 2019; “
- (CC) if the entity was not in business during the first, second, or third quarter of 2019, but was in business during the fourth quarter of 2019, had gross receipts during the first, second, third, or, only with respect to an application submitted on or after January H. R. 133—821 1, 2021, fourth quarter of 2020 that demonstrate not less than a 25 percent reduction from the gross receipts of the entity during the fourth quarter of 2019; or “
- (DD) if the entity was not in business during 2019, but was in operation on February 15, 2020, had gross receipts during the second, third, or, only with respect to an application submitted on or after January 1, 2021, fourth quarter of 2020 that demonstrate not less than a 25 percent reduction from the gross receipts of the entity during the first quarter of 2020;

- Loan terms. In general, borrowers may receive a loan amount of up to **2.5X the average monthly payroll costs in the one year prior to the loan** or the calendar year. No loan can be greater than \$2 million.
  - Seasonal employers may calculate their maximum loan amount based on a 12-week period beginning February 15, 2019 through February 15, 2020.
  - New entities may receive loans of up to 2.5X of average monthly payroll costs.
  - Entities in industries assigned to **NAICS code 72 (Accommodation and Food Services)** may receive loans of up to **3.5X average monthly payroll costs**.
  - Businesses with multiple locations that are eligible entities under the initial PPP requirements may employ **not more than 300 employees per physical location**.
  - Waivers of affiliation rules that applied during initial PPP loans apply to a second loan.
  - An eligible entity may only receive **one PPP second draw** loan.
  - Fees are waived for both borrowers and lenders to encourage participation.
  - For loans of not more than \$150,000, the entity may submit a certification attesting that the entity meets the revenue loss requirements on or before the date the entity submits their loan forgiveness application and non-profit and veterans organizations may utilize gross receipts to calculate their revenue loss standard.
- Loan forgiveness. Borrowers of a PPP second draw loan would be eligible for loan forgiveness equal to the sum of their payroll costs, as well as covered mortgage, rent, and utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures incurred during the covered period. The **60/40 cost allocation between payroll and non-payroll costs in order to receive full forgiveness will continue to apply**.
- Lender eligibility. **A lender approved to make loans under initial PPP loans may make covered loans** under the same terms and conditions as the initial loans.

[www.naics.com](http://www.naics.com)

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- Guidance to prioritize underserved communities. Directs the Administrator to issue guidance addressing barriers to access to capital for underserved communities no later than 10 days after enactment.
- Standard Procedures. Directs the SBA to allow lenders to approve loans made under this paragraph utilizing existing program guidance and standard operating procedure, to the maximum extent possible, as the standard SBA 7(a) program.
- Churches and religion organizations. Expresses the sense of Congress that the Administrator's guidance clarifying the eligibility of churches and religious organizations was proper and prohibits the application of regulations otherwise rendering ineligible businesses principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs. Codifies that the prohibition on eligibility in 13 CFR 120.110(k) shall not apply for initial and second draw loans.
- Application of Exemption Based on Employee. Extends existing safe harbors on restoring FTE and salaries and wages. Specifically, applies the rule of reducing loan forgiveness for the borrower reducing the number of employees retained and reducing employees' salaries in excess of 25 percent. Allows the SBA and Treasury Department to jointly modify any date in section 7A(d) consistent with the purposes of the Paycheck Protection Program.

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# PPP Forgiveness



### Section 07: Simplified Application.

- Creates a **simplified application process for loans under \$150,000** such that:
  - A borrower shall receive **forgiveness** if a borrower signs and submits to the lender a certification that is not more than one page in length, includes a description of the number of employees the borrower was able to retain because of the covered loan, the estimated total amount of the loan spent on payroll costs, and the total loan amount. The borrower must also attest that borrower accurately provided the required certification and complied with Paycheck Protection Program loan requirements. SBA must establish this form within 24 days of enactment and may not require additional materials unless necessary to substantiate revenue loss requirements or satisfy relevant statutory or regulatory requirements. Additionally, borrowers are required to retain relevant records related to employment for four years and other records for three years. The Administrator may review and audit these loans to ensure against fraud.
  - At the discretion of the borrower, the borrowers may complete and submit demographic information for all PPP loans.

### Section 33: Repeal of EIDL Advance Deduction.

- **Repeals** section 1110(e)(6) of the CARES Act, which requires PPP **borrowers to deduct the amount of their EIDL advance from their PPP forgiveness amount.**
- Establishes the Sense of Congress that EIDL Advance borrowers should be made whole without regard to whether those borrowers are eligible for PPP forgiveness.
- The Administrator shall issue rules that ensure borrowers are **made whole if they received forgiveness and their EIDL was deducted from that amount.**

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# EIDL Grants & Loans

EIDL loans available through 12/31/2021

**Section 32: Emergency EIDL Grants.**

- Extends covered period for Emergency EIDL grants through December 31, 2021.
- Allows more flexibility for the SBA to verify that Emergency EIDL grant applicants have submitted accurate information.
- Extends time for SBA to approve and disburse Emergency EIDL grants from 3 to 21 days.

**Section 31: Targeted EIDL Advance for Small Business Continuity, Adaptation, and Resiliency.**

- Provides additional targeted funding for eligible entities located in low-income communities through the EIDL Advance program from Section 1110 of the CARES Act.
- Makes entities in low-income communities that received an EIDL Advance under Section 1110 of the CARES Act 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.

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# What Is A Low-Income Community

The term "low-income community" means any population census tract if--

- the poverty rate for such tract is at least 20 percent, or
- (i) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or
- (ii) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income.

# **‘Shuttered Venue’ Grants**

#### Section 24: Grants for Shuttered Venue Operators.

- Authorizes \$15 billion for the SBA to make grants to eligible live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theatre operators, or talent representatives who demonstrate at least a 25 percent reduction in revenues.
- There is a set-aside of \$2 billion for eligible entities that employ not more than 50 full-time employees, and any amounts from this set-aside remaining after sixty days from the date of implementation of this program shall become available to all eligible applicants under this section.
- The SBA may make an initial grant of up to \$10 million dollars to an eligible person or entity and a supplemental grant that is equal to 50 percent of the initial grant.
- In the initial 14-day period of implementation of the program, grants shall only be awarded to eligible entities that have faced 90 percent or greater revenue loss. In the 14-day period following the initial 14-day period, grants shall only be awarded to eligible entities that have faced 70 percent or greater revenue loss. After these two periods, grants shall be awarded to all other eligible entities.
- Such grants shall be used for specified expenses such as payroll costs, rent, utilities, and personal protective equipment.
- Requires the Administrator to conduct increased oversight of eligible persons and entities receiving these grants.
- Requires the SBA to submit a report to the Senate and House Small Business Committees 45 days after enactment detailing their oversight and audit plan for shuttered venue grants and to provide monthly updates on the oversight and audit activities conducted by the Administrator.

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# SBA Debt Relief

Non-Disaster Loans

### Section 25: Extension of the debt relief program.

- Resumes the **payment of principal and interest (P&I)** on **small business loans** guaranteed by the SBA under the **7(a), 504 and microloan** programs, established under the CARES Act.
- 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. Going forward, those payments will be **capped at \$9,000 per borrower per month**.
- After the three-month period described above, borrowers considered to be **underserved—namely the smallest or hardest-hit** by the pandemic—will receive an **additional five months** of P&I payments, also capped at \$9,000 per borrower per month. They include:
  - Borrowers with SBA microloans or 7(a) Community Advantage loans
  - Borrowers with any 7(a) or 504 loan in the **hardest-hit sectors**, as measured by the severity of sector-wide **job losses** since the start of the pandemic. They include **food service and accommodation; arts, entertainment and recreation; education; and laundry and personal care services**.
- SBA **payments** of P&I on the **first 6 months of newly approved loans** will resume for all loans approved between February 1 and September 30, 2021, also **capped at \$9,000 per month**.
- If the SBA projects that appropriations provided for the debt relief program are insufficient to fund the extensions provided, the Administrator **may proportionally reduce the number of months** provided in each extension.

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# **SBA Lending Changes**

## ***Non-Disaster***

7a, 504, Micro-lending

### Section 27: Temporary Fee Reductions.

- Waives lender and borrower fees for both the 7(a) and 504 loan programs.

### Section 26: Modifications to 7(a) Loan Programs.

- Increases to 90 percent the loan guarantee amount 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 a lower amount of \$500,000 on October 1, 2021.
- The Express Loan guaranty amount for loans of \$350,000 and less is temporarily increased from 50 percent to 75 percent, and for loans above \$350,000 the guarantee remains at 50 percent. On October 1, 2021, the guarantee reverts to 50 percent for all Express Loans.

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# Recommendations

# SBA Resources

## Texas Gulf Coast Small Business Development Center (SBDC)

- 713-752-8444
- [www.sbdc.uh.edu](http://www.sbdc.uh.edu)

## Houston SCORE

- 713-487-6565
- [www.Houston.score.org](http://www.Houston.score.org)

## WBEA Women's Business Center (WBC)

- 713-681-9232
- [www.wbea-Texas.org/womens-business-center](http://www.wbea-Texas.org/womens-business-center)

## Greater Houston Women's Chamber Women's Business Center (WBC)

- More info coming soon!

## SBA Houston Website

- [www.sba.gov/tx/houston](http://www.sba.gov/tx/houston)
- Sign up for email updates
- Copies of these slides
- List of PPP lenders

## PPP Application Forms & Instructions:

- [Form 2483 – First Draw Application](#)  
(Updated 1/8/21)
- [Form 2483-SD – Second Draw Application](#)  
(Released 1/8/21)

## SBA Houston Contacts

- 713-773-6500
- [Houston@sba.gov](mailto:Houston@sba.gov)
- Twitter: @SBA\_Houston
- 8701 S. Gessner

**EIDL Advance Info Forthcoming**  
EIDL Loans at [www.sba.gov](http://www.sba.gov) (online application)

**SBA Contacts in your area** (if not Houston)  
[www.sba.gov](http://www.sba.gov) local assistance

SBA

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