



## SECOND DRAW PAYCHECK PROTECTION PROGRAM

The information below is based on information obtained from the recently passed Economic Aid Act and detailed in the Small Business Administration's IFRs. Additional guidance is possible from the government and may change some of the information below.

Please discuss any borrowing with your accountant, lawyer, and financial advisor.

**Loan Source:** Second Draw loans can be provided through the same Bank/Lending Institution that provided the First Draw PPP Loan or at another Bank/Lending Institution.

**Who is eligible:** Any **active** business that:

- (1) received a First Draw PPP Loan,
- (2) has appropriately used, or will use, the full amount of the First Draw PPP Loan on or before the expected date of the Second Draw PPP Loan,
- (3) with less than 300 employees, and
- (4) who experienced a revenue reduction in 2020 relative to 2019 (described further below)

**Revenue Reduction Requirement:**

- Borrower must have experienced a gross revenue reduction (not including PPP income) of 25% or greater in 2020 relative to 2019 calculated by comparing the borrower's quarterly gross receipts for one quarter in 2020 with the same quarter in 2019. For example: Q2 2020 (April, May, June 2020 Revenue) vs Q2 2019 (April, May, June 2019 Revenue) must have decreased 25% Year Over Year.
- If quarterly information is not available, a reduction in annual receipts of 25% or more in the 2020 year compared to 2019 and supported by tax forms.

**Max Loan:**

- **Lessor of \$2 million or 2.5 times average monthly payroll expenses** for the 12 months before the loan was originated.
- Borrowers with an assigned NAICS code beginning with 72 can have a **loan amount of 3.5 times average monthly payroll, capped at \$2 million.**
- For sole proprietors, independent contractors, and/or those who report business income on the Schedule C of their personal tax returns or 1099 tax form, additional loan calculation instructions are available in the [SBA's IFRs](#).

*Payroll includes:*

1. Salary wages, commission, or similar compensation
2. Payment of cash tip or equivalent
3. Payment for vacation, parental, family, medical, or sick leave
4. Allowance for dismissal or separation
5. Group health care benefits
6. Payment of any retirement benefit
7. Payment of state or local tax assessed on the compensation of employees

*Payroll excludes:*

1. Compensation of any employee with an annualized salary in excess of \$100,000
2. Payroll taxes
3. Employees with a principal place of residence outside of the United States
4. Qualified sick or family leave in which a credit is allowed underneath the Families first Coronavirus Response Act

**Permissible Uses:** Payroll as defined above, mortgage interest payment, rent payments, utility payments, interest payments on any other debt obligations that were incurred before February 15, 2020, refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020, covered operations expenditures, covered property damages, covered supplier costs, and covered worker protection expenditures. Further definitions of these expenses are included in the [SBA's IFR](#).

**Interest Rate:** 100 basis points or 1%, calculated on a non-compounding, non-adjustable basis

**Maturity:** 5 Years

**Loan Fees:** None

**Payments:**

- If a borrower submits to the lender a loan forgiveness application within 10 months after the end of their selected loan forgiveness covered period (8 to 24 weeks), the borrower will **not** have to make any payments of principal or interest on their loan before the date on which SBA remits the loan forgiveness amount on the loan to their lender (or notifies lender that no loan forgiveness is allowed).
- If a forgiveness application is **not** submitted to Lender within the 10 months after the end of the forgiveness covered period, monthly principal and interest payments will then begin based on the remaining term of the original 5-year term.
- If **partial** forgiveness is awarded, monthly principal and interest payments of the remaining loan balance will begin 30 days from the date of forgiveness and will be based on the remaining term of the original 5-year term.

**Collateral:** None

**Guarantee:** Non-recourse except in the event of misuse of funds or fraud

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**Documentation needed to apply includes the following. These are generally the same as required for First Draw PPP Loans:**

**A. For Borrowers who received their First Draw PPP Loan with Valliance Bank and are using 2019 payroll figures to determine the loan amount:**

1. No additional documentation to substantiate an applicant's payroll cost will be required if the applicant:
  - i. used calendar year 2019 figures to determine its First Draw PPP Loan amount,
  - ii. is using calendar year 2019 figures to determine its Second Draw PPP Loan amount (instead of calendar year 2020), and
  - iii. the lender for the applicant's Second Draw is the same as the lender that made the applicant's First Draw PPP Loan.
2. Documentation to establish a revenue reduction of 25% or greater in 2020 relative to 2019. Such documentation may include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, quarterly financial statements or bank statements.
3. SBA Form 2483-SD

**B. For Borrowers who received their First Draw PPP Loan with Valliance Bank and are using 2020 payroll figures to determine the loan amount:**

1. 2020 total payroll calculation
2. 2020 federal payroll tax filings (Form 941)
3. 2020 profit & loss and balance sheet
4. Documentation to establish a revenue reduction of 25% or greater in 2020 relative to 2019. Such documentation may include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, quarterly financial statements or bank statements
5. SBA Form 2483-SD

**C. For Borrowers who did not received their First Draw PPP Loan with Valliance Bank:**

1. SBA Form 2483-SD
2. Copy of the application from the First Draw PPP Loan
3. 2019 or 2020 total payroll calculation
4. 2019 or 2020 federal payroll tax filings (Form 941)
5. 2019 or 2020 profit & loss and balance sheet
6. Documentation to establish a revenue reduction of 25% or greater in 2020 relative to 2019. Such documentation may include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, quarterly financial statements or bank statements
7. Organizational documents for borrower
8. Valliance Bank's Additional info for PPP Application Form