

Paycheck Protection Program (PPP) for Small Businesses Reopens: How to Take Advantage and What's Different Now

UPDATE: The [Consolidated Appropriations Act](#)¹ of 2021 authorizes the U.S. Small Business Administration ([SBA](#))² to guarantee additional loans under the temporary Paycheck Protection Program ([PPP](#)),³ which was originally established under the Coronavirus Aid, Relief, and Economic Security ([CARES](#))⁴ Act to provide economic relief to small businesses nationwide adversely impacted by the pandemic. The SBA's authority to make PPP loans has been extended through March 31, 2021, with revisions to certain PPP requirements. A temporary program titled, "Paycheck Protection Program [Second Draw Loans](#)"⁵ was also added. These changes enable borrowers who have not previously applied for PPP loans to access these funds (First Draw) as well as existing PPP borrowers to apply for additional funding (Second Draw), provided they meet the eligibility criteria.

This third round of relief funding allocates \$284 billion for loans to businesses for payroll and other costs to help them and their workers remain viable. To promote greater access to this capital for those businesses most in need, initially, only community development financial institutions and minority depository institutions will be able to make First Draw PPP Loans on Monday, January 11, and Second Draw PPP Loans on Wednesday, January 13. The PPP will open to all participating lenders shortly thereafter.

Key Things to Know About Current PPP Funding (updated 1/11/21)

- **Who can apply?** The new cap for Round 3 stimulus funds is businesses with 300 or fewer employees, down from the original 500-employee max. All businesses with 300 or fewer employees may apply. Businesses in certain industries with more than 300 employees may be eligible if they meet applicable SBA employee-based size standards for those industries. Those exceptions can be found on the SBA's [website](#).⁶
- **When can I apply?** You may apply for Round 3 funds from January 11 through March 31, 2021.
- **Where can I apply?** Borrowers can apply for a PPP Loan through any existing [SBA 7\(a\) lender](#),⁷ including regional and community banks, Farm Credit System lenders, credit unions, fintech, community development financial institutions (CDFIs), and minority depository institutions (MDIs) that participate in the PPP. Beginning January 11, loans made by CDFIs and MDIs will be given priority. All new PPP Loans will have the same terms regardless of lender or borrower. Additional information and full terms can be found [here](#).⁸
- **Can I reapply for PPP and increase my initial PPP loan?** Existing PPP borrowers that did not receive loan forgiveness by December 27, 2020, may: (1) reapply for a First Draw PPP Loan if they previously returned some or all of their First Draw PPP Loan funds, or (2) under certain circumstances, request to modify their First Draw PPP Loan amount if they previously did not accept the full amount for which they are eligible.
- **What can I use these loans for?** 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.
- **How much of my loan can be forgiven?** The loan will be forgiven if proceeds are used to cover payroll costs, most mortgage interest, rent, and utility costs over the specified period after the loan is made, *and* if employee and compensation levels are maintained. Payroll costs are capped at \$100,000 on an annualized basis for each employee, and **at least 60 percent of the forgiven amount must have been used for payroll (lowered from the original 75 percent requirement)**. Payments required on loan proceeds used for any uncovered expenses will be deferred for six months, and no collateral or personal guarantees are required. First 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; • 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. See the most recent loan [forgiveness information](#).⁹

See the PPP [First Draw Borrower Application](#)¹⁰ and the PPP [Second Draw Borrower Application](#).¹¹ Other helpful resources include the U.S. Treasury’s [fact sheet](#)¹² for borrowers, the SBA’s [guidance](#)¹³ on Accessing Capital for Minority, Underserved, Veteran, and Women-Owned Business Concerns, LISC Boston’s Massachusetts Equitable PPP Access [Initiative](#),¹⁴ and the SBA’s most recent [FAQs](#)¹⁵ on the PPP for lenders and borrowers. The SBA also provides [translations](#)¹⁶ of key PPP information and the loan forgiveness application in multiple languages. In addition, a step-by-step [tool](#)¹⁷ for the PPP loan process is available on the webpage of the [Independent Sector](#),¹⁸ a national membership organization that brings together the charitable community to advance the common good.

The Federal Reserve System is committed to reducing the economic effects of COVID-19 with the tools at its disposal. To that end, the Fed has been working to limit financial and economic distress by taking [actions](#)¹⁹ that help avoid higher unemployment levels or a slower recovery.

We are all in this together. The Boston Fed is working to help the most vulnerable residents and communities in the region survive this unprecedented health and economic emergency and have an opportunity to thrive in our eventual recovery. [Learn more](#)²⁰ about the Boston Fed’s community development initiatives, and for more information or questions about our coronavirus efforts in local communities, email CommunityDevelopment@bos.frb.org.

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1. <https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-116HR133SA-RCP-116-68.pdf>
 2. <https://www.sba.gov/>
 3. <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>
 4. <https://home.treasury.gov/policy-issues/cares>
 5. <https://www.sba.gov/sites/default/files/2021-01/Top-line%20Overview%20of%20Second%20Draw%20PPP%20%281.8.2021%29-508.pdf>
 6. <https://www.sba.gov/sites/default/files/2021-01/Top-line%20Overview%20of%20First%20Draw%20PPP%20%281.8.2021%29-508.pdf>
 7. <https://www.sba.gov/document/report-ppp-participating-lenders-state>
 8. <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>
 9. <https://www.sba.gov/sites/default/files/2020-10/PPP%20-%20Loan%20Forgiveness%20FAQs%20%28October%2013%202020%29.pdf>
 10. <https://www.sba.gov/document/sba-form-2483-paycheck-protection-program-borrower-application-form>
 11. <https://www.sba.gov/document/sba-form-2483-sd-ppp-second-draw-borrower-application-form>
 12. <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>
 13. <https://www.sba.gov/document/policy-guidance-guidance-accessing-capital-minority-underserved-veteran-women-owned-business-concerns>
 14. <https://www.lisc.org/boston/covid-19/massachusetts-equitable-ppp-access-initiative/>
 15. <https://www.sba.gov/sites/default/files/2020-12/Final%20PPP%20FAQs%20%28December%209%202020%29-508.pdf>
 16. <https://www.sba.gov/page/coronavirus-recovery-information-other-languages>
 17. <https://independentsector.org/resource/caresact/>
 18. <https://independentsector.org/>
 19. <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200323b.htm>
 20. <https://www.bostonfed.org/community-development.aspx>

*External links are provided as a convenience and for informational purposes only. They do not constitute an endorsement or an approval by the Federal Reserve Bank of Boston or Federal Reserve System. Please contact the external site for answers to questions regarding its content.