

Who is eligible for a Second Draw PPP Loan?

Permanently Closed Businesses / timing of disbursements / bankruptcy

(c) Who is eligible for a Second Draw PPP Loan?

Subject to subsection (e) of this section, below, the following applicants are eligible for Second Draw PPP Loans:

An applicant is eligible for a Second Draw PPP Loan if it is a business concern, independent contractor, eligible self-employed individual, sole proprietor, nonprofit organization eligible for a First Draw PPP Loan, veterans organization, Tribal business concern, housing cooperative, small agricultural cooperative, eligible 501(c)(6) organization or destination marketing organization, or an eligible nonprofit news organization³³ that: (i) previously received a First Draw PPP loan in accordance with the eligibility criteria in the Consolidated First Draw PPP IFR

(ii) has used, or will use, the full amount of its First Draw PPP Loan (including the amount of any increase on such First Draw PPP Loan) on authorized uses under subsection (B)(11) of the Consolidated First Draw PPP IFR on or before the expected date on which the Second Draw PPP Loan will be disbursed;

Your business has permanently closed.³⁴

³⁴ This provision prohibits an entity that has gone out of business and has no intention of reopening from receiving a PPP loan. The Administrator, in consultation with the Secretary, has determined this provision is necessary to maintain program integrity, prevent abuse, and prevent PPP loans being made to businesses that have permanently closed. Preserving funds for businesses in operation is necessary because only businesses that are still in operation will retain employees, which is a primary purposes of the PPP. PPP was not intended to support businesses that have permanently closed. A borrower that has temporarily closed or temporarily suspended its business but intends to reopen remains eligible for a PPP loan. ³⁵ This subsection replaces the subsection o

Can a borrower take multiple draws from a PPP loan and thereby delay the start of the covered period?

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No. **The lender must make a one-time, full disbursement of the PPP loan within ten calendar days of loan approval;** for the purposes of this rule, a loan is considered approved when the loan is assigned a loan number by SBA.

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Notwithstanding this limitation, lenders are not responsible for delays in disbursement attributable to a borrower's failure to timely provide required loan documentation, including a signed promissory note. Loans for which funds have not been disbursed because a borrower has not submitted required loan documentation within 20 calendar ¹¹³ This subsection was originally published at 85 Fed. Reg. 26321, subsection III.1.a. (May 4, 2020), as amended by 85 Fed. Reg. 26321 (June 19, 2020), and has been modified for readability. ¹¹⁴ If the tenth calendar day is a Saturday, Sunday, or legal holiday, the period continues to run until the end of the next business day. 74 days of loan approval shall be cancelled by the lender. When disbursing loans, lenders must send any amount of loan proceeds designated for the refinance of an EIDL loan directly to SBA and not to the borrower.

By when must a lender electronically submit an SBA Form 1502 indicating that PPP loan funds have been disbursed?

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SBA has made available a specific SBA Form 1502 reporting process through which PPP lenders report on PPP loans and collect the processing fee on fully disbursed loans to which they are entitled. Lenders must electronically **upload SBA Form 1502 information within 20 calendar days after a PPP loan is approved.** The lender must report on SBA Form 1502 whether it has fully disbursed PPP loan proceeds. A lender will not receive a processing fee: (1) prior to full disbursement of the PPP loan; (2) if the PPP loan is cancelled before disbursement; or (3) if the PPP loan is cancelled or voluntarily terminated and repaid after disbursement (including if a borrower repays the PPP loan proceeds to conform

to the borrower's certification regarding the necessity of the PPP loan request). If the lender has received a processing fee on a loan that was cancelled or voluntarily terminated and repaid after disbursement (including if a borrower repaid the PPP loan proceeds to conform to the borrower's certification regarding the necessity of the PPP loan request), SBA will not require the lender to repay the processing fee unless the lender is found guilty of an act of fraud in connection with the PPP loan., lenders will be required to confirm that all PPP loans for which the lender is requesting a processing fee have been fully disbursed on the disbursement dates and in the loan amounts reported. A lender must report through either E-Tran Servicing or the SBA Form 1502 report any PPP loans that have been cancelled before disbursement or that have been cancelled or voluntarily terminated and repaid after disbursement.

Will I be approved for a PPP loan if my business is in bankruptcy?

No. If the applicant or the owner of the applicant is the debtor in a bankruptcy proceeding, either at the time it submits the application or at any time before the loan is disbursed, the applicant is ineligible to receive a PPP loan. If the applicant or the owner of the applicant becomes the debtor in a bankruptcy proceeding after submitting a PPP application but before the loan is disbursed, it is the applicant's obligation to notify the lender and request cancellation of the application. Failure by the applicant to do so will be regarded as a use of PPP funds for unauthorized purposes. The Borrower Application Form for PPP loans (SBA Form 2483), which reflects this restriction in the form of a borrower certification, is a loan program requirement. Lenders may rely on an applicant's representation concerning the applicant's or an owner of the applicant's involvement in a bankruptcy proceeding.