

# STIMULUS PACKAGE #2

## SUMMARY OF KEY PROVISIONS FOR SMALL BUSINESSES



Congress passed a \$900 Billion economic relief package on Monday, December 21, 2020. The bill combines coronavirus-fighting funds with financial relief for individuals and businesses.

The stimulus package restarts the Paycheck Protection Program (PPP) while doing away with the restriction that left more than \$100 billion unspent over the summer.

Businesses that are still struggling may be able to get another round of help — but they'll have to meet stricter criteria.

For example only companies with 300 or fewer employees will be eligible for second loans, down from a limit of 500 in the program's first iteration.

Also, loans will be capped at \$2 million instead of the previous limit of \$10 million. The stimulus package also gives the SBA \$50 million to conduct audits and take other efforts to tackle fraud in the program.

This document summarizes the key provisions.

# HAVE EXISTING SBA LOAN

## Information for Valued Clients Who Have an SBA Loan

- Principal and interest payments on your loans beginning February 1, 2021 through April 1, 2021
- Payments capped at \$9,000 per month, per borrower (the borrower will be required to pay the difference for principal and interest payments greater than \$9,000 per month)
- After April 1, 2021, principal and interest payments for the following small business borrowers through September 30, 2021:
  - Small businesses who have received SBA Micro Loans or Community Advantage Loans
  - Small businesses who have received SBA 7a or SBA 504 loans in the hardest hit industries, including food service and accommodation; arts, entertainment and recreation; education; and laundry and personal care services.
  - Loan payments will be capped at \$9,000 per month, per borrower
- Small businesses with SBA 504 loans may refinance the 1st Trust Deed of the 504 loan and obtain cash out for eligible business expenses



# OBTAINING SBA LOANS

## Support for Growing Businesses Obtaining SBA Loans

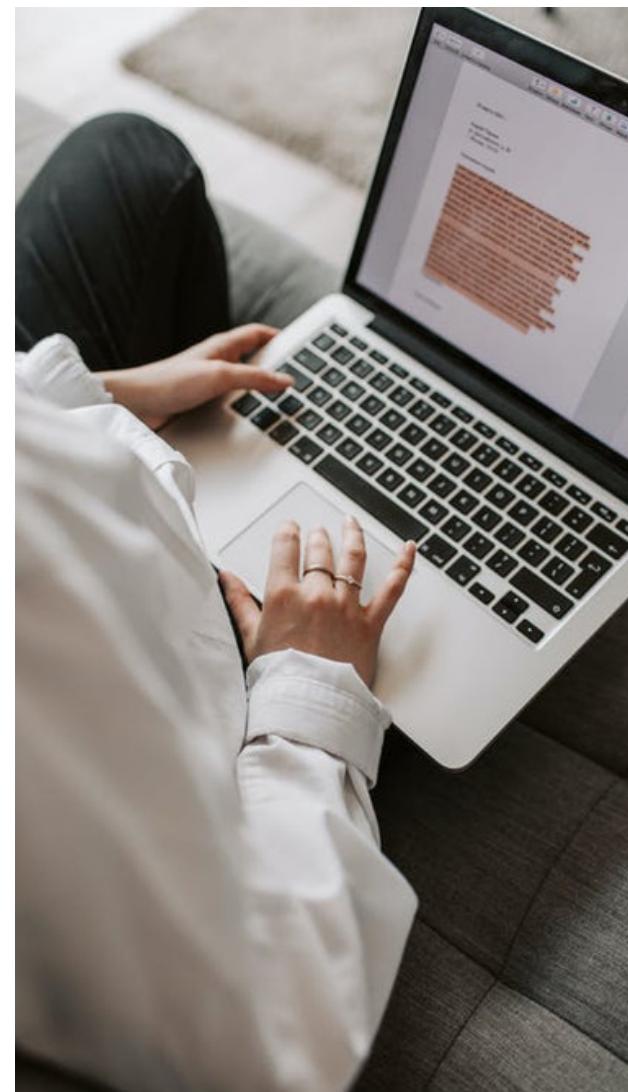
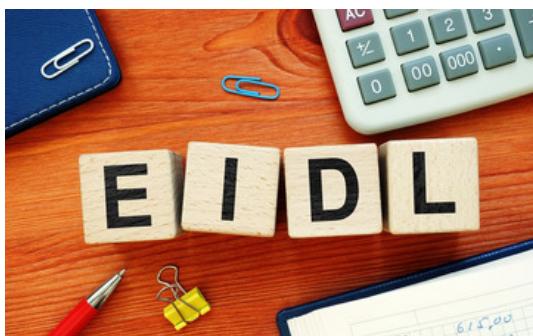
- Principal and interest payments, capped at \$9,000/month/borrower, for NEW SBA 504 or 7a loans from February 1, 2021 –September 30, 2021
- Small business fees will be waived for SBA 504 and 7a loans immediately after the bill is enacted through September 30, 2021
- Refinance variable SBA 7a with fixed rate SBA 504 loans, for qualified fixed assets
- Refinance conventional loans, hard money or seller-carry loans with note in place a minimum of six months vs. two years
- Small business obtaining SBA micro loans will have increased terms to 8 years vs 6 years beginning February 1, 2021
- Extends the guarantee for Community Advantage Loans to a 90% guarantee
- Expedites loan approval for loans under \$500,000 for an Express SBA 504 Loan
- Increases the maximum loan amount of the express loan from \$350,000 to \$1,000,000 from January 1, 2021 to September 30, 2021



# IMPACT ON EIDL

## Economic Injury Disaster Loan and Advance

- Provides targeted funding for small businesses in low income communities
- Provides \$10,000 grants to eligible applicants in low-income communities that did not secure grants because funding had run out
- Extends the EIDL Grants to December 31, 2021
- REPEALS the provision in the CARES Act, which requires PPP borrowers to deduct the amount of their EIDL advance from their PPP forgiveness amount
- The Administrator shall issue rules that ensure borrowers are made whole if they received forgiveness and their EIDL was deducted from that amount.



# IMPACT ON PPP

## Paycheck Protection Program

- 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.**
  - Employ not more than 300 employees
  - Have used or will use the full amount of their first PPP
  - 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, 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.



# IMPACT ON PPP CONTINUED

## Paycheck Protection Program

- 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 the sum of their average monthly payroll costs.
- Entities in industries assigned to NAICS code 72 (Accommodations 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.
- Waiver 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.
- 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 nonpayroll costs in order to receive full forgiveness will continue to apply**
- Allows the borrower to elect a covered period ending at the point of the borrower's choosing between 8 and 24 weeks after origination.
- Covered costs extended:
  - Clarifies that other employee-provided group insurance benefits are included in payroll costs. This includes group life, disability, vision, or dental insurance.

# IMPACT ON PPP CONTINUED

## Paycheck Protection Program Covered Costs Extended

- 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.

**Special Note:** 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.

### **Further Clarification - 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.

### **Timeline and Appropriation:**

- Covered period for PPP Loans through March 31, 2021
- \$806.5 Billion



# AMPAC BUSINESS CAPITAL IS HERE TO SERVE YOU

*We're Advocates for Businesses Seeking SBA Lending; Passionate About Fostering the Success of Business at all Stages of Growth*

Ampac Business Capital, the dba of AmPac Tri-State CDC Inc. is a non-profit lender on a mission to finance and foster the success of small businesses at all stages of growth throughout the State of California, with a special focus in San Bernardino and Riverside Counties. Through its certifications as a U.S. Small Business Administration Certified Development Company (CDC) and Micro Lender, and a Department of Treasury Community Development Financial Institution (CDFI), AmPac has funded well over half a billion dollars in loans for small business ranging from \$5,000 to over \$16,000,000. AmPac serves start-up businesses to seasoned businesses that have 500 or fewer employees.

AmPac also partners with local governments and State initiatives to manage and administer micro loan programs to encourage entrepreneurship and to provide low cost capital that businesses may not otherwise have access to.

As the nation's first faith-based SBA lender, AmPac leads the SBA in connecting Faith & Business through its Annual Connecting Faith & Business Conference. Through these conferences, business owners who have faith as their center and faith-based leaders in the region come together for a day of learning that is educational, inspirational, and provides meaningful networking connections.

AmPac's vision is to make communities better and families stronger as Champions of Job Makers – Small Businesses.

For more information on AmPac Business Capital or to learn more about how AmPac can serve you in financing and fostering the success of your growing business, call 909-915-1706 or visit the website at [www.ampac.com](http://www.ampac.com).

