

UNDERSTANDING 2021 PAYCHECK PROTECTION PROGRAM OPTIONS FOR CHILD CARE PROVIDERS AND CCR&RS DURING COVID-19

In December 2020, Congress funded a new Paycheck Protection Program (PPP) to help small businesses during the COVID-19 pandemic. The new PPP is more flexible than the original and allows prior PPP loan recipients to apply for a 2nd loan under certain conditions. The PPP is now open for applications.

What is the PPP?

A federal loan for small businesses facing challenges because of COVID-19 that is forgivable (works like a grant) if certain conditions are met. There are loans for businesses who have not received a PPP before - called **First Draw Loans** - and loans for prior PPP recipients - called **Second Draw Loans**. The maximum first draw loan may be 2.5 times the average monthly payroll. The maximum second draw loan is \$2 million.

Find More Info

[First Draw Loans](#)

[Second Draw Loans](#)

Criteria for Full Loan Forgiveness

- At least 60% of the loan must be spent on payroll.
- Up to 40% can be spent on utilities, rent, mortgage interest, "covered operations expenditures" (like child care system management software), "covered supplier costs" (e.g. goods and perishable goods, essential to operations), "covered worker protections" (e.g., PPE, sanitation, supplies related to social distancing, and other operating and capital expenses for workplace to meet CDC or other official safety guidance).
- The loan must be spent within 24 weeks.

Who is Eligible?

Most child care programs are eligible and CCR&Rs may be eligible if they are a separate legal entity.

Eligibility for [First Draw Loans](#) (same as before): non-profits or small businesses with fewer than 500 employees, self-employed individuals, sole proprietors and independent contractors.

Eligibility for [Second Draw Loans](#): (1) non-profits or small businesses with fewer than 300 employees, self-employed individuals, sole proprietors, and independent contractors; (2) at least a 25% decrease in gross revenue in one-quarter of 2020 compared to the same quarter in 2019; and (3) all of the first PPP loan must be spent by the date of the disbursement of the second loan.

How to Apply

Loans are first come, first serve through March 31, 2021 if the program does not run out of money.

Apply through any bank, credit union or lender that is an existing SBA 7(a) lender. It may be best to try your usual bank. Find a lender in your [area](#) or try a [lender match tool](#). Download the application for [First Draw Loans](#) and [Second Draw Loans](#).

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