FAQ
Paycheck Protection Program: Second Draw & Forgiveness

- Must a borrower apply for the second draw PPP loan from the same bank at which it received its first draw PPP loan?
  - No, using the same lender may require less supporting documentation to be provided, but a different lender can make the second draw PPP loan.

- Because of the borrower’s NAICS code, in the original PPP program the borrower qualified as a small business because they had fewer than 1,000 employees (based on the SBA’s small business size standard for that industry). Can the borrower continue to apply that size standard in applying for a second draw loan?
  - No. The size requirements for a second draw limit are specifically limited to the 300-employee count, and the alternative measures for obtaining eligibility are not available.

- Must I apply for forgiveness (or receive forgiveness) on the initial PPP loan before I apply for a second draw loan?
  - No. In order to obtain a second draw loan, the borrower must have used all of its original PPP loan proceeds, but the borrower does not have to submit for forgiveness. (Note: if a borrower has submitted for forgiveness and the SBA has opened a specific review of the borrower’s loan, the SBA will delay approval of the second draw loan until that review is satisfactorily completed.)

- Do I need to have completed my 2020 taxes to apply for a second draw loan?
  - No. But, 2020 tax forms are required documentation for self-employed borrowers who seek to use 2020 average monthly payroll costs. Such borrowers will effectively have to obtain a loan based on 2019 average monthly payroll costs until 2020 taxes are completed.

- If a borrower maintained revenue but had severely impacted margins based on higher supply or labor costs, are they eligible for a second draw PPP loan?
  - No special relief is available for such borrowers. Eligibility for a second draw PPP loan is based on gross receipts rather than profit. As the costs of goods sold would be added to total income, increased materials costs or expenses will not generate a reduction in gross receipts/revenue.
• In measuring the decline of gross receipts, can a borrower compare any three-month period in 2020 against the comparable three-month period in 2019?
  o No. The PPP rules specifically require comparison of calendar quarters, not any three-month period.

• When will the simplified forgiveness form be made available by the SBA for PPP loans of $150,000 or less?
  o The statutory deadline for the SBA to produce the form is Wednesday, January 20. The SBA indicates they intend to release the updated forms before that deadline, although at times the SBA has missed statutory deadlines. We will communicate with you as we learn more.

• How is the 300-employee threshold calculated?
  o The 300-employee threshold is measured at the time of the application for the PPP loan.

• What expenses are included in payroll costs, for instance would insurance premiums and payroll taxes paid by employer be included?
  o The rules around payroll costs are unchanged for PPP second draw loans. Payroll costs generally include salary, wages, commissions or similar compensation; cash tips or the equivalent; payment for vacation, parental, family, medical or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care or group life, disability, vision, or dental insurance, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and, for an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment.

• Are there special guidelines for businesses majority owned by women or minorities?
  o The SBA has specifically allocated a portion of the PPP funds for borrowers with a maximum of 10 employees or for loans less than $250,000 to borrowers in low-or moderate-income neighborhoods, but there are no differences in PPP eligibility, terms or forgiveness for businesses majority-owned by women or minorities.
• **Explain including COGS in gross revenue**
  o The Interim Final Rule adopted by the SBA states that gross receipts are generally considered “total income” plus “costs of goods sold,” and excluding net capital gains or losses. The SBA has published a new guide on calculating revenue reduction, available [here](#).

• **How do I apply for a second draw or forgiveness with UMB?**
  o UMB’s PPP Application Platform will walk you through the application process. You will load all required documentation into the system. The platform will send automatic emails notifying you of requirements, next steps, and reminders. To enable faster review, please ensure your data can be validated within your uploaded documentation. You will also be able to monitor the status of your application in the platform. You do not need your current PPP loan number to log in to the system and check your application status or apply for forgiveness.