

## Guidance on First-Draw Paycheck Protection Program (PPP) Loan

This summary includes information that can help you determine your eligibility and prepare documentation for your First-Draw PPP loan (for first-time PPP borrowers) application with First Southwest Bank.

### Quick Highlights

- CDFI banks, like First Southwest Bank, have early access and a designated portion of funds to lend small businesses
- SBA will initially only accept First-Draw applications from CDFIs, like First Southwest Bank, starting on January 11
- First-Draw PPP loans are available to businesses that did not receive a PPP loan in 2020
- First-Draw 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
- Deadline to apply is March 31, 2021 or until funds are depleted

### Loan Facts

- Maximum loan amount is 2.5x average monthly payroll costs for 2019 or 2020 up to \$10 million
- Payroll costs are capped at \$100,000 on an annualized basis for each employee
- First-Draw PPP loans will have a 1% interest rate, and a 5-year term
- No participation fees or prepayment fees, no collateral, and no guarantee

### Loan Forgiveness

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.
- Additional forgiveness information will be posted here soon: [First Southwest Bank PPP Forgiveness Resource Page](#)

### Who Can Apply

- Eligible small entities, that together with their affiliates (if applicable), have 500 or fewer employees—including nonprofits, veterans organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors—can apply. Entities with more than 500 employees in certain industries that meet SBA's alternative size standard or SBA's size standards for those particular industries can also apply.
- Also eligible to apply for First-Draw PPP loans are businesses with a NAICS Code that begins with 72 (Accommodation and Food Services sector) or eligible news organizations with no more than 500 employees per physical location, as well as housing cooperatives, 501(c)(6) organizations, or destination marketing organizations with no more than 300 employees.

### Reapplying and Loan Increases

Existing PPP borrowers that did not receive loan forgiveness by December 27, 2020 may:

- reapply for a First-Draw PPP loan if they previously returned some or all of their First-Draw PPP loan funds, or
- 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.

### Documentation Needed for Application

- **IRS Payroll Tax Filing Report:** Copies of payroll tax reports filed with the IRS (including Forms 941, 940, state income and unemployment tax filing reports) for the entire year of 2019 and first quarter of 2020 (if available) should be presented.
- **Payroll Documentation:** Copies of payroll reports for each pay period for the preceding 12 months. Such reports should include gross wages including PTO (which might include vacation, sick, and other PTO). This includes payroll reports through the pay period preceding the origination of the SBA loan
- **Health Insurance Premiums Documentation:** Documentation reflecting the health insurance premiums paid by the company under a group health plan including owners of the company for the immediately preceding 12 months prior to the date of the SBA loan origination. Copies of the monthly invoices should suffice.
- **Retirement Plan Funding Documentation:** Documentation of all retirement plan funding by the employer for the immediately preceding 12 months. Copies of workpapers, schedules and remittances to the retirement plan administrator should be sufficient.
- **Mortgage, Rent, Utility Documentation:** Documentation, including cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payment on covered mortgage obligations, payment on covered lease obligations and covered utility payments.
- **Partnerships Documentation:** IRS Form 1065 (including Schedule K-1s)

### Ensuring Access for All

At least \$15 billion is being set aside by the SBA for First-Draw PPP loans to eligible borrowers with a maximum of 10 employees or for loans of \$250,000 or less to eligible borrowers in low- or moderate-income neighborhoods.

### Broadened Expenses

Eligible PPP expenses are deductible. Payroll expenses must still account for 60% of PPP loan funds spent for the loan to be forgiven. But other additional expenses now include:

- **Operations expenditures:** Business software; cloud computing services; product or service delivery; payroll expense processing, payment, or tracking; human resources, sales, and billing functions; accounting or tracking of supplies and inventory
- **Property damage costs:** Costs related to vandalism or looting due to public disturbances in 2020 if not covered by insurance or other compensation
- **Certain supplier costs:** Including those for perishable goods
- **Worker protection costs:** Capital or operating expenses related to complying with requirements or guidance from the Centers for Disease Control, the Department of Health and Human Services, the Occupational Safety and Health Administration, or equivalent state or local government agencies after March 1. These can include items from personal protective equipment, ventilation changes, and health screenings.



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*These details may change with further guidance from the SBA and the Treasury. For additional instructions, please see SBA Form 2483 here: <https://home.treasury.gov/system/files/136/PPP-Borrower-Application-Form.pdf>*

