

WYNDHAM

HOTELS & RESORTS

Paycheck Protection Program (PPP) and
Federal COVID Relief – Round 2:

What You Need to Know

Updated 01/11/2021

Paycheck Protection Program - Round 2

- 1 **PPP ROUND 2:
OVERVIEW &
ENHANCEMENTS**
- 2 **CHANGES TO
ELIGIBILITY, LOAN
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On December 27, 2020 the Consolidated Appropriations Act of 2021 was signed into law. A second round of Paycheck Protection Program (“PPP”) loans is included within the nearly 6,000 pages of this bill, as well as expansion of the forgiveness criteria for existing PPP loans. Congress appropriated an additional \$285 billion to fund these new PPP loans, with \$35 billion specifically earmarked for first time borrowers. All applicants, whether first time or second draw, may apply for PPP loans until March 31, 2021 (unless funds are exhausted earlier).

The Act enhanced the PPP by providing for the following:

- New PPP loans may be obtained by first time borrowers.
- Some businesses that have already obtained a PPP loan are permitted to obtain a second PPP loan, called a “second draw”.
- For all PPP loans, rules relating to eligibility, allowable expenses and forgiveness have changed – although the impact of these changes may vary for borrowers who have already received forgiveness for a first round PPP.

Key Changes to PPP

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Changes to Eligibility and Loan Amount	<ul style="list-style-type: none"> Publicly traded entities are NOT eligible. Hotel businesses now eligible for: <ul style="list-style-type: none"> 3.5x (vs. 2.5x for other industries) average monthly 2019 or 2020 payroll costs, but capped at \$2 million.
First Time PPP Borrowers	<ul style="list-style-type: none"> Hotel business must have no more than 500 employees at a single location. Apply starting Jan. 11, 2021 (initially only with CDFIs/MDIs) through Mar. 31, 2021. Borrowers receiving a previous PPP not forgiven by Dec. 27, 2020 may re-apply as first time borrowers if they: <ul style="list-style-type: none"> Previously returned some or all of their first draw, OR In certain circumstances, request to modify their first draw if they didn't initially accept the full amount they were eligible for.
PPP Second Draw	<ul style="list-style-type: none"> Hotel business must have no more than 300 employees at a single location. Must be able to demonstrate at least a 25% reduction in gross revenues between any comparable quarter of 2019 and 2020. Apply starting Jan. 13, 2021 (initially only with CDFIs/MDIs) through Mar. 31, 2021. Borrowers receiving a previous PPP must have exhausted original loan before receipt of second draw. Keep in Mind: Because the eligibility rules have changed, it is possible that a business met the requirements for and received an initial PPP loan, but would not meet the second draw requirements.
Simplified Forgiveness Process for Certain Loans	<ul style="list-style-type: none"> Borrowers with loans <\$150,000 who have yet to receive funds or apply for forgiveness, now only need to provide a 1-page certification to lenders to qualify for forgiveness. <ul style="list-style-type: none"> This certification identifies the amount of the loan, number of employees retained due to the loan, and estimates the loan amount spent on payroll costs. Documentation is not required to be submitted along with the certification, but you should retain such supporting documentation (4 years for employment records and 3 years for all other records).
Increased Flexibility in Forgiveness	<ul style="list-style-type: none"> All borrowers may now elect either an 8 week or 24 week covered period during which the loan proceeds were used. Previously, PPP borrowers also receiving an Economic Injury Disaster Loan advance of \$10,000 had their PPP forgiveness reduced by the advance amount - this reduction has now been eliminated. <ul style="list-style-type: none"> Don't worry if you already had an EIDL advance deducted from PPP forgiveness, as you will be made whole.
Eligible Expenses	<ul style="list-style-type: none"> In addition to mortgage interest, rent, or utility payments, now up to 40% of loan proceeds may be used to cover: <ul style="list-style-type: none"> PPE and costs of complying with COVID-related operational restrictions. Business software needed for operations (e.g., accounting, HR). Property damage from public disturbances in 2020 (not covered by insurance). Pre-existing supplier contracts for items essential to operations.

This document does not constitute legal, financial or tax advice. Please consult your legal, financial and tax advisors.

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PPP Round 2 Application Checklist

While we are still waiting for banks and the SBA to roll out the official launch of the application process for new or second draw PPP loans, here are a few things you can do now to prepare.

- Run comparative income statement with quarterly comparative results. Businesses demonstrating a 25% or more reduction in gross receipts in any comparable quarter from 2019 to 2020 are eligible to apply.
- Gather head count numbers for 2019 and 2020 from your payroll provider. Businesses with 300 or fewer employees are eligible to apply. For hotels and other industries with an NAICS code starting with 72, the 300-employee limit is for each location.
- Gather 2019 and 2020 payroll reports from your payroll provider.
- Gather 2019 and 2020 forms 941, 940 and State Unemployment tax returns.
- Gather 2020 health benefit bills (health insurance, group life and disability, and vision and dental) from 2019 and 2020.
- Gather 2019 and 2020 employer retirement plan contributions.
- Watch for emails from your lender regarding specific application processes and links to bank portals.
- If you took a PPP first draw loan, consider contacting your lender to let them know you are interested so that they contact you once they are ready to start the process.
 - If you received a previous PPP and have applied for forgiveness, make sure you continue to retain all records submitted in support of that application. If you haven't yet received forgiveness, check with your lender whether you are eligible for the simplified forgiveness certification.

Additional Provisions of the Act

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<p>SBA 7(a) and Microloan Program Updates</p>	<ul style="list-style-type: none"> • The Act reinstitutes the CARES Act provision that the SBA pays principal and interest (“P&I”) on its 7(a), 504 and Microloan programs. • Loans existing prior to the CARES Act will receive an additional 3 months of P&I, starting in Feb. 2021, capped at \$9,000/borrower/month. • After 3 months, borrowers in industries hardest-hit by the pandemic, including hotels, will receive an additional 5 months of P&I payments (again capped at \$9,000/borrower/month). • For new loans approved between Feb. 1 and Sept. 30, 2021, the SBA will cover P&I for 6 months, also subject to the \$9,000/month cap.
<p>Troubled Debt Restructuring</p>	<ul style="list-style-type: none"> • Lenders may provide continued forbearance, loan modifications or other forms of borrower relief through Dec. 31, 2021, without having to classify the impacted loans as troubled debt.
<p>ERTC Extension</p>	<ul style="list-style-type: none"> • The CARES Act employee retention tax credit (ERTC) has been extended from Jan. 1 through Jun. 30, 2021. • Will include an increase from 50% to 70% of qualified wages up to \$10,000 per quarter (up from \$10,000 annually). • Will reduce the gross receipts decline required in order to qualify from 50% to 20%. • Businesses can now also take advantage of ERTC even if they have received a PPP loan.
<p>Tax Deductibility</p>	<ul style="list-style-type: none"> • Expenses paid with forgiven PPP loan proceeds are now tax-deductible giving a tax windfall to borrowers in addition to loan forgiveness. • More information is available here.
<p>Additional Resources</p>	<ul style="list-style-type: none"> • Please refer to our previous guides on the CARES Act (including more detail on the PPP, EIDL and ERTC) as well as PPP forgiveness. • First Time PPP Application Form • Second Draw PPP Application Form • SBA’s Interim Final Rule on the Amendments to PPP via the Act • SBA’s Interim Final Rule on Second Draw PPP • SBA’s Guidance on Accessing Capital for Minority, Underserved, Veteran, and Women-Owned Businesses

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