

The Economic Injury Disaster Loan (EIDL) Program vs The Paycheck Protection Program (PPP)

7(a) loan program and will make forgivable loans of up to \$10 million available to qualifying small businesses.

Please note that businesses cannot get both EIDL and PPP loans at the same time. You can apply for the EIDL loan now and the PPP loan when it becomes available. If you qualify and accept the EIDL loan, and you subsequently qualify for the PPP loan, you can re-finance the EIDL loan with the PPP loan, OR you can apply for both loans and decide which one you take if you qualify for both. Loans are limited to one per Taxpayer Identification Number.

The table below compares the terms of the EIDL and PPP loans:

EIDL	PPP
<p>Who is the lender?</p>	
<p>The SBA</p>	<p>A Bank that does SBA 7(a) Loans, underwritten by the bank</p>
<p>What is the maximum amount of the loan?</p>	
<p>The maximum loan size is \$2 million. Applicants who apply for this loan may request an advance of up to \$10,000 from the SBA. The advance will be distributed within 3 days. Applicants are not required to repay this advance if they are subsequently denied a loan.</p>	<p>The maximum loan size is \$10 million. The calculation is as follows:</p> <ul style="list-style-type: none"> ☐ 2.5x the average monthly “payroll” costs, measured over the 12 months preceding the loan origination date. Seasonal business may use the period February 15, 2019 – June 30, 2019 or March 1, 2019 – June 30, 2019 to calculate the average payroll ☐ If you took out the EIDL loan between February 15, 2020 and April 3, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the “payroll” sum. <p>Payroll includes salaries, commissions, tips, certain employee benefits (including health insurance and retirement benefits), state and local taxes and certain types of compensation to sole proprietors or independent contractors. Payroll costs specifically exclude compensation of an individual employee in excess of an annual salary of \$100,000, foreign employees, FICA and income tax withholdings</p>
<p>What is the annual interest rate?</p>	
<p>3.75% for businesses, 2.75% for non-profits</p>	<p>.5% on any unforgiven portion.</p>
<p>What is the term of the loan?</p>	
<p>Up to 30 years</p>	<p>2 years</p>
<p>When is the first loan payment due?</p>	
<p>One year after the loan origination date (interest is accrued during the deferment)</p>	<p>At least six months after the loan origination date (interest is accrued during the deferment), and paid by SBA</p>
<p>What can we use the loan for?</p>	

Financial obligations and operating expenses that could have been met had the disaster not occurred for a period from February 15, 2020 through December 31, 2020

Payroll costs (as defined above), group healthcare benefits, insurance premiums, and interest (but not principal) on mortgages or other debt incurred prior to February 15, 2020, rent on any lease in force prior to February 15, 2020 and utility payments

What collateral is required?

The SBA will place a UCC lien against the assets of the business and will take other available assets if necessary

No collateral is required from either the business or its owners

Is a personal guarantee required?

Yes, for owners of > 20% of the business, managing members of LLCs, managing partners of LPs.

No

Is there a loan forgiveness program?

No

Yes – calculated as the amount spent by the borrower during an 8-week period after the origination date of the loan on: payroll costs (as defined above), interest payment on any mortgage incurred prior to February 15, 2020, payment of rent on any lease in force prior to February 15, 2020, and payment on any utility for which service began before February 15, 2020. Payroll costs are subject to the same exclusions as noted above. It is best to limit other than payroll to 25% or less of the loan amount

What reduces the forgiveness?

N/A

The amount forgiven is reduced if you reduce your full time employee head count. The amount forgiven is also reduced to the extent that compensation for any individual making less than \$100,000 per year is reduced by more than 25% measured against the most recent full quarter. You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020

Do I need to have filed my 2019 Taxes to apply?

No, 2019 Taxes do not have to be filed prior to applying for the loan.

Will not be necessary if not available

How long will the loan application take?

We are assuming at least 4 weeks plus an additional 5

Bank will follow its internal approval process and then submit

days for funding

to SBA for a loan number only. Timing will depend on the bank.

Can I apply now?

Yes, the application process is live, and loans are available now. There is no obligation to accept the loan if you qualify. The SBA typically allows 6 months to accept the loan offer, but you can always extend this if needed. Therefore, it is better to apply ASAP

Yes, starting April 3, 2020 for small businesses and sole proprietorships

Starting April 10, 2020 for independent contractors and self-employed individuals.

What businesses/entities can apply and what are the affiliation rules?

Small businesses. There are several standards the SBA uses to define a small business, and it varies by industry. As a general guide, less than 500 employees. Applicants for SBA loan programs typically must include their affiliates when applying size tests to determine eligibility. This means that employees of other businesses under common control would count toward the maximum number of permitted employees

☒ Businesses and entities must have been in operation on February 15, 2020 and have 500 or fewer employees. There are some exceptions based on industry – see below

☒ Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.

☒ Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72 (Accommodation and Food Services companies)

☒ Affiliation rules are also waived for franchises with codes assigned by the SBA, as reflected on the SBA franchise registry and businesses that receive financial assistance from one or more small business investment companies (SBIC)