

CARES ACT BULLETIN #CR-01

A Comparison of SBA Loan Programs Under PPP and EIDL

This chart is intended as a guide to determine which Small Business Administration loan program best fits your company's needs and strategic objectives. For more information, visit sba.gov/funding-programs/loans/coronavirus-relief-options.

Paycheck Protection Program (PPP)



Economic Injury Disaster Loan (EIDL)



<p>SUMMARY</p>	<p>Low-interest loans (capped at 1%) to pay Payroll Costs (defined below) for the eight-week period after the PPP is originated.</p> <p>You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Lenders may begin processing loan applications as soon as April 3, 2020.</p>	<p>Low-interest loans (capped at 3.75%) for working capital to small businesses suffering substantial economic injury due to COVID-19.</p> <p>Borrowers can request up to \$10,000 payable three days after application. If the EIDL loan is denied, the advanced funds do not need to be returned.</p> <p>You can apply directly through SBA at disasterloan.sba.gov</p>
<p>COVERED PERIOD</p>	<p>February 15, 2020 - June 30, 2020, or until funds made available for this purpose are exhausted.</p>	<p>January 31, 2020 - December 31, 2020</p>
<p>WHO CAN APPLY</p>	<p>Any business in operation before February 15, 2020, that (1) has fewer than 500 employees or (2) otherwise meets the SBA's existing Size Standard (predicated or NAICS code and annual revenue) or (3) Small businesses in the hospitality and food industry with more than one location, if their individual locations employ less than 500 workers.</p> <p>Recipients of SBA Disaster Loans made after January 31, 2020, may receive a PPP loan for purposes other than what was borrowed under the SBA Disaster Loan (no "double dipping"). 501c3 and 501c19 nonprofits, independent contractors and self-employed qualify.</p>	<p>Any small business or private nonprofit organization that meets SBA's Size Standard (predicated or NAICS code and annual revenue) that has suffered Substantial Economic Injury due to COVID-19.</p> <p>A business has suffered "substantial economic injury" when it is unable to meet its financial obligations, pay ordinary and necessary operating expenses or has a reduction in working capital.</p> <p>Businesses are ineligible if they have not complied with a previous SBA loan.</p>
<p>AFFILIATION</p>	<p>Standard SBA Size and affiliation rules.</p> <p>However, the SBA's affiliation rules have been waived for businesses in the hospitality and restaurant industries, franchises approved by the SBA, and small businesses that receive financing through a Small Business Investment Company.</p>	<p>When determining eligibility, the SBA aggregates and reviews the applicant and all of its "affiliates" as one entity. In determining affiliation, the SBA will consider whether ownership, ownership options and changes of legal structure, management, identity of interest, and licensing agreements.</p>
<p>AMOUNT OF LOAN AND PERMITTED USE</p>	<p>The lesser of (i) 2.5 times the average total monthly Payroll Costs for the prior year or (ii) \$10 million.</p> <p>Payroll Costs include: employee compensation; payments for vacation, parental, family, medical or sick leave; severance payments; group health care benefits and insurance premiums;</p>	<p>Up to \$2,000,000 (May request up to a \$10,000 advance under CARES Act, which would not have to be repaid.</p> <p>Proceeds may be used to pay fixed debts, payroll, account payable, rent, utilities and other bills that cannot be paid because of the disaster's impact.</p>

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<p>AMOUNT OF LOAN AND PERMITTED USE <i>(continued)</i></p>	<p>retirement benefits; and state and local employment taxes. Commissions are included for self-employed and independent contractors.</p> <p>Payroll Cost DO NOT include compensation to employees in excess of \$100,000. Excludes employees outside the U.S.</p> <p>Proceeds may be used to pay payroll costs, mortgage interest, rent, utilities and interest on pre-existing loans.</p>	
<p>INTEREST RATE</p>	<p>1%</p> <p>Payments of principal, interest and fees will be deferred for at least six months, but not more than one year.</p>	<p>3.75% fixed for small businesses, 2.75% fixed for non-profit organizations</p>
<p>TERM</p>	<p>6 months deferral then up to 2 years</p>	<p>Up to 30 years.</p>
<p>DEBT FORGIVENESS</p>	<p>Borrowers are eligible to forgive costs paid during the eight-week period after the PPP is originated (Covered Period) on account of (1) Payroll Costs, (2) payment of interest on pre-existing mortgage obligations (secured by real or personal property), (3) covered rent obligations, and (4) utility payments that were in place prior to February 15, 2020 (the Amount of Loan Forgiveness). At least 75% of the forgiven amount must have been used for payroll.</p> <p>Following the Covered Period, Borrowers may submit an application to their Lender for Loan Forgiveness.</p> <p>The maximum Amount of Loan Forgiveness will be reduced (but not increased) proportionally in accordance with any reduction in the number of employees or salaries during the Covered Period when compared to the prior calendar year.</p> <p>Borrowers who re-hire workers previously laid off from February 15, 2020 through 3 days after the enactment of the CARES Act, shall not have those numbers counted against them for loan forgiveness purposes, so long as those workers are rehired no later than June 30, 2020.</p>	<p>These loans are generally not eligible for forgiveness, although advance grants up to \$10,000 need not be paid back if an EIDL application is subsequently denied.</p> <p>An EIDL loan may be forgiven if it is refinanced under a PPP loan depending on the date the EIDL loan was taken out.</p> <p>If an applicant receives an EIDL advance under the CARES Act but is approved for a 7(a) loan instead, the advance amount is reduced from the amount of the loan eligible for forgiveness under the 7(a) program.</p>
<p>COLLARERAL/ PERSONAL GUARANTEE</p>	<p>No collateral requirements or personal guarantees are required.</p>	<p>Collateral - Yes, for loans over \$200,000. Personal Guarantee - Yes, for loans over \$25,000.</p>
<p>HOW TO APPLY</p>	<p>Apply through any SBA participating lender.</p>	<p>Apply directly through SBA at disasterloan.sba.gov</p>