



## The CARES Act: SBA Loan Programs: Economic Injury Disaster Loan (EIDL) vs. Paycheck Protection Program (PPP) Comparison Grid

COVID-19 SBA Disaster Related Loans		
	<u>Economic Injury Disaster Loan (EIDL)</u> <u>(As modified by CARES Act)</u>	<u>Paycheck Protection Program (PPP)</u>
<b>Summary</b>	<p>Maximum Loan size \$2,000,000, determined by SBA during underwriting</p> <p>Low-interest loans (capped at 3.75% for businesses and 2.75% for Not-For-Profits)</p> <p>The purpose of the loan is for working capital to small businesses suffering substantial economic injury due to COVID-19</p>	<p>Maximum Loan size \$10,000,000, formula driven based on 250% of your average monthly payroll costs</p> <p>Low-interest loans (1% fixed rate)</p> <p>The purpose of the program is to help businesses maintain their workforce and cover key operational costs such as payroll, benefits, rent, utilities, and interest on debt.</p>
<b>Advance Feature</b>	Borrowers can request \$10,000 loan advance (grant). The advance shall be made available within three days of a successful application.	N/A—but note that \$10,000 loan advance from the EIDL can be rolled into the PPP program.
<b>Program Period</b>	January 31, 2020 - December 31, 2020	February 15, 2020 - June 30, 2020
<b>Length of Loan</b>	Based on ability to repay, (E.G.-5,7,10 up to 30 years)	24 month repayment period
<b>Deferral offered?</b>	Interest is deferred for 12 months but does accrue	Loan payments will be deferred for 6 months (Principal, interest and fees)
<b>Eligibility – Types of business</b>	All businesses – including nonprofits, veterans organizations, tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees can apply. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries.	<p>All businesses – including nonprofits, veterans organizations, tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees can apply. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries.</p> <p>For this PPP program, the SBA’s affiliation standards are waived for small businesses (1) in the hotel and food services industries (NAICS code 72); or (2) that are franchises in the SBA’s Franchise Directory; or (3) that receive financial assistance from small business investment companies licensed by the SBA. Additional guidance may be released as appropriate.</p>



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Revenue limitations	Revenue limitations See Table of Size Standards: <a href="https://www.sba.gov/document/support--table-size-standards">https://www.sba.gov/document/support--table-size-standards</a>	No Revenue limitations
How is the loan size determined?	The actual amount that will be loaned to a business is ultimately determined by SBA's determination of what the business's actual economic injury was combined with the business's financial need.	Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is always <b>\$10 million</b> .  <b>If you were in business February 15, 2019 – June 30, 2019:</b> Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.  <b>For new business - If you were not in business between February 15, 2019 – June 30, 2019:</b> Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.  <b>If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020</b> and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.
What costs are eligible for payroll costs?	N/A	Payroll costs include: <ul style="list-style-type: none"> <li>• Salary, wages, commissions, payment of cash tip or equivalent (i.e., tips reported for W-2 purposes) (capped at \$100,000 on an annualized basis for each employee);</li> <li>• Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit</li> <li>• State and local taxes assessed on compensation; and</li> <li>• Note: For a borrower who is a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.</li> </ul>



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What costs are not eligible for payroll?	N/A	<p>Excludes individual employee compensation above \$100,000 per year, prorated over the covered. For example, you would include up to the \$100k in salary (include \$8,333 into the monthly calculation).</p> <p>Compensation of employees whose principal place of residence is outside of the U.S .</p> <p>Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.</p>
What are allowable uses of loan proceeds?	<p>Use of Funds - Operating Capital/to meet payroll, pay accounts payable and fixed debt payments until situation improves.</p> <p>Ineligible uses – Debt Refinancing or Expansion of Business</p>	<ul style="list-style-type: none"> <li>• Payroll costs (as noted above)</li> <li>• Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums</li> <li>• Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)</li> <li>• Rent (including rent under a lease agreement)</li> <li>• Utilities</li> <li>• Interest on any other debt obligations that were incurred before the covered period</li> </ul>
Borrower Requirements?	<p>The Applicant understands that the SBA is relying upon the self-certifications contained in this application to verify that the Applicant is an eligible entity to receive the advance, and that the Applicant is providing this self-certification under penalty of perjury pursuant to 28 U.S.C. 1746 for verification purposes.</p> <p>The signor shall authorize their insurance company, bank, financial institution, or other creditors to release to SBA all records and information necessary to process the application (inclusive of credit information about the individuals)</p>	<p>Borrower will have to include a Good-Faith Certification:</p> <ul style="list-style-type: none"> <li>• The loan is needed to continue operations during the COVID-19 emergency;</li> <li>• Funds will be used to retain workers and maintain payroll or make mortgage, lease, and utility payments;</li> <li>• The applicant does not have any other application pending under this program for the same purpose; and</li> <li>• From February 15, 2020 until December 31, 2020, the applicant has not received duplicative amounts under this program</li> </ul>
Is a credit history required?	Credit/Underwriting – FICO Score > 570	Allows lenders to approve applicants based solely on credit scores (no tax return submission required) or "alternative appropriate methods to determine an applicant's ability to repay"



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Credit elsewhere?	Waives the requirement that the applicant be unable to find credit elsewhere	SBA is waiving the usual SBA requirement that you try to obtain some or all of the loan funds from other sources (i.e., we are waiving the Credit Elsewhere requirement).
Is a personal guarantee required?	Personal guarantees required on advances or loans of greater than \$200,000	No Personal Guarantees
Is collateral required?	Collateral – May be required	No Collateral
Is there prepayment penalties?	No Prepayment Penalties	No Prepayment Penalties
Is there a forgiveness aspect?	\$10,000 loan advance (grant) doesn't have to be repaid, even if the application is later denied. Otherwise no forgiveness provisions	<p>The loan amounts will be forgiven as long as:</p> <ul style="list-style-type: none"> <li>• The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made (through June 30, 2020 period)</li> <li>• Employee and compensation levels are brought back to the pre-crisis level by June 30, 2020— Full-time equivalent (FTE).</li> </ul> <p>Note that the forgiven portion may be reduced proportionately depending on how many employees FTE are brought back by June 30, 2020. (Detailed calculation).</p> <p>Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs (i.e. at least 75% of the PPP loan proceeds must be used during the 8-weeks for payroll costs. The remainder of the loan can be used for interest, rent and utilities.)</p>
When can you apply?	Anytime until December 18, 2020	<p><b>Starting April 3, 2020</b>, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.</p> <p><b>Starting April 10, 2020</b>, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.</p> <p>Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.</p> <p>Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan.</p>

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How do you apply?	Apply direct thru SBA website <a href="https://covid19relief.sba.gov/#/">https://covid19relief.sba.gov/#/</a>	You can apply through any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.  Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating. Visit <a href="http://www.sba.gov">www.sba.gov</a> for a list of SBA lenders.  You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application <u>by June 30, 2020</u> .
What documents will you need to gather for the loan application?	If the loan is approved, additional information may be required prior to the loan closing	You will need to provide your lender with payroll documents to support your payroll costs. In addition, your lender may request additional documents such as tax returns, recent profit and loss statements, etc.
New payroll tax credit and deferral – Impact on the loans?	NA	<ul style="list-style-type: none"> <li>● Employers who receives a loan by virtue of the Small Business Act as extended by this Act is <b><u>ineligible to receive the payroll tax credit (Employee Retention Credit)</u></b></li> <li>● Employers who have small business loan debt forgiven under Sec. 1106 of this Act <b><u>are ineligible for this payroll tax deferral</u></b></li> </ul>
Any special accounting recommendations?	Not necessary	It is recommended that procedures be put in place to separately track your spending through June 30, 2020 for the allowable costs (payroll, rent, utilities, etc.). Separate bank accounts to track (if feasible) are also recommended. You should maintain receipts for all allowable costs.

This grid is intended to be used as a side-by-side comparison of the two Small Business Administration loan programs to determine which best fit your business' particular situation. While we strive to provide our clients with the most up-to-date information at the time, please check the Small Business Association (SBA) Disaster Assistance site located here: <https://www.sba.gov/funding-programs/disaster-assistance> for the most current information on these and other programs.