

# The CARES ACT: Small Business Loans

## Economic Injury Disaster Loan (EIDL) / Paycheck Protection Program (PPP)

Use this chart to determine which Small Business Administration loan program works best for your company.

	Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
<b>Summary</b>	<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 \$10,000 payable three days after application. If the EIDL loan is denied, the advanced funds do not need to be returned.</p>	<p>Low-interest loans (capped at 4%) to pay payroll costs (defined below) for the eight-week period after the PPP is originated.</p>
<b>Covered Period</b>	January 31, 2020 – December 21, 2020	February 15, 2020 – June 30, 2020 (applications must be received by the close of the covered period)
<b>Borrower Eligibility</b>	<p>Any small business or private nonprofit organization that meets SBA's size standard (predicated on NAICS code and annual revenue) that has suffered substantial economic injury due to COVID-19.</p> <p>A business has suffered <i>substantial economic injury</i> 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 that have not complied with a previous SBA loan.</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).</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"). Non-profits, veterans organizations, tribal concerns, sole proprietorships, self-employed individuals, and independent contractors qualify.</p>
<b>Affiliation</b>	<p>During eligibility determination, the SBA aggregates and reviews the applicant and all of its "affiliates" as one entity. In determining affiliation, SBA will consider ownership, ownership options, and changes of legal structure, management, identity of interest, and licensing agreements.</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>
<b>Amount of Loan and Permitted Use</b>	<p>Up to \$2,000,000</p> <p>Loan amount may be used to pay fixed debts, payroll, accounts payable, rent, utilities, and other bills that cannot be paid because of the disaster's impact.</p>	<p>The lesser of 2.5 times the average total monthly payroll costs for the prior year or \$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; retirement benefits; and state and local employment taxes. Commissions are included for self-employed and independent contractors.</p> <p>Payroll costs <b>DO NOT</b> include compensation to employees in excess of \$100,000. Excludes employees outside the U.S.</p> <p>Loan amount may be used for payroll costs, mortgage interest, rent, utilities, and interest on pre-existing loans.</p>
<b>Interest Rate</b>	<p>Not to exceed 3.75% for business and 2.75% for nonprofits.</p>	<p>Not to exceed 4%</p> <p>Payments of principal, interest, and fees will be deferred for at least six months but not more than one year.</p>

Source: U.S. Small Business Administration / Coronavirus Aid, Relief, and Economic Security (CARES) Act

	Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
<b>Term</b>	Up to maximum of 30 years Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.	The remaining balance (the unforgiven portion) will have a maximum maturity of 10 years.
<b>Debt Forgiveness</b>	N/A	<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 owing 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).</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 30 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>
<b>Collateral</b>	Yes, for loans more than \$25,000	None
<b>Guarantee</b>	Yes, for loans more than \$200,000	None
<b>Application Process</b>	<p>Applicants exclusively deal with the SBA. Applications are submitted electronically or by mail.</p> <p>Required to provide:</p> <ul style="list-style-type: none"> <li>▪ Business tax returns for three prior years</li> <li>▪ Personal tax returns for each principal owning 20% or more of the applicant</li> <li>▪ 2019 federal tax returns (or an explanation if not available)</li> <li>▪ Personal financial statements (SBA Form 413) for each applicant and principal owning 20% or more of the applicant</li> <li>▪ Applicant's debt schedule (SBA Form 2202)</li> <li>▪ Confirm whether have business interruption insurance</li> </ul> <p>The SBA determines final loan terms on a case-by-case basis after evaluating each applicant's needs. Ultimately, loan terms are predicated on the economic injury sustained and an applicant's ability to payback its obligations.</p>	<p>Applicants apply through third-party private lenders. This includes most national and local lenders.</p> <p>Required to provide (subject to change and to lender requirements)</p> <ul style="list-style-type: none"> <li>▪ Payroll tax (including Forms 941, 940, state income and unemployment tax filing reports) for the entire year of 2019 and first quarter of 2020 (if available)</li> <li>▪ Payroll reports for each pay period for the preceding 12 months (gross wages including PTO). Includes payroll reports through the pay period preceding origination of SBA loan.</li> <li>▪ Documentation reflecting health insurance premiums paid under a group health plan for the preceding 12 months prior to the date of SBA loan origination. Copies of monthly invoices should suffice.</li> <li>▪ All retirement plan funding documents by the employer for the preceding 12 months (workpapers, schedules, and remittances to the plan administrator should suffice).</li> <li>▪ Business tax returns for three prior years</li> <li>▪ Personal tax returns for each principal owning 20% or more of the applicant</li> <li>▪ 2019 federal tax returns (or an explanation if not available)</li> <li>▪ Personal financial statements (SBA Form 413) for each applicant and principal owning 20% or more of the applicant</li> <li>▪ Applicant's debt schedule (SBA Form 2202)</li> <li>▪ Corporate records/ownership information</li> <li>▪ Business licenses</li> <li>▪ Loan records</li> <li>▪ Business description and history</li> </ul> <p><b>NOTE: As of March 31, 2020, applications were not yet being accepted.</b></p>

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