

SBA Loan Options

Congress Passes Historic Relief Package with President Trump expected to sign today. A much-needed program included in the CARES Act is the Paycheck Protection Program offered under section 7(a) of the Small Business Administration (SBA). This program offers forgivable loans, up to \$10M for companies who maintain their payroll during the crisis. The Act also expands on the SBA EIDL (Economic Injury Disaster Loan) by waiving the requirement of personal guarantees on loans under \$200,000 and offering eligible companies an immediate advance upon request. Businesses are only eligible to participate in one of these lending options.

Disclaimer:

There may be changes before final approval and this is for Informational Purposes Only. Banks will need time once it is approved to understand the regulations and begin accepting applications. It could be several weeks until that time comes. Until then, businesses should focus on the EIDL program as the SBA is accepting applications for these funds.

EIDL (Economic Injury Disaster Loan)	Paycheck Protection Program (under the CARES act) (Under 7(a) program)
Administered directly by the SBA	Administered by an SBA Lender
Used for working capital (including AP)	Used to cover payroll & benefits
Interest rate 3.75% (2.75% for nonprofit)	Rate up to 4%
Terms up to 30 years	Terms up to 10 years
No prepayment penalties	No prepayment penalties
\$10k grant available	N/A
Payment Deferrals:	Payment Deferrals:
12 months	At least 6 months, no more than 12 months
Eligible to small business:	Eligible to small business and nonprofits:
Based on NAICS caps determined by SBA and nonprofits	Based on employee head count - greater of 500 employees or number of employees specified under SBA's existing programs
Maximum loan amounts:	Maximum loan amounts:
Up to \$2M, determined by the SBA formula - Tied to gross profit per information from SBA	Up to \$10M average total monthly payroll in the one year before the loan was made (2/15/19-6/30/19) x 2.5*

03/30/2020

Loan can be used for:

Any working capital needs**
(not loss of profit)

Loan can be used for:

Salaries, sick pay, group healthcare**

Mortgage payments, rent, utilities

Any other debt obligations

Loans cannot be used for:

Refinance debt, pay other SBA loans, tax penalties or civil fines, repair physical damage, pay dividends to owners or partners

Currently no loan forgiveness

Loans cannot be used for:

Anything other than items noted above; no refinance existing debt

Loan forgiveness on portion of loan if employers maintain their payroll during the covered period (February 15, 2020 – June 30, 2020) ***

Collateral/Personal Guarantee

Waives the requirement of a personal guarantee on advances and loans below \$200,000

Collateral/Personal Guarantee

During the covered period (February 15, 2020 – June 30, 2020), no collateral or personal guarantee shall be required for the loan (more clarification to be forthcoming)

SBA guarantee fees waived

*Compensation, including salary, wage, cash tips, paid time-off, severance, healthcare benefits, state or local taxes

**Individual compensation - up to \$100k per year. Will NOT cover sick pay if covered under the Families First Coronavirus Response Act

***Cancelled indebtedness is not taxable to the borrower as gross income

Prepared by SVA Certified Public Accountants and Byline Bank

