

The CARES Act: A Comparison of SBA Loan Programs Under EIDL and PPP

This chart is intended for general informational purposes only and should not be construed as legal advice or opinion.

	Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
SUMMARY	<p>Low-interest loans 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 to pay Payroll Costs (defined below). Loan forgiveness is available equal to the amount spent on specified costs (set forth below) by the business in the eight-week period after the PPP is originated.</p>
COVERED PERIOD	January 31, 2020 – December 31, 2020	February 15, 2020 – June 30, 2020
BORROWER ELIGIBILITY	<p>Any small business or private nonprofit organization that meets SBA’s Size Standard 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 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.</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.</p> <p>Nonprofits qualify.</p>
AFFILIATION	<p>When determining eligibility, the SBA aggregates and reviews the applicant and all of its “affiliates” as one entity. In determining affiliation, SBA will consider whether 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>
AMOUNT OF LOAN AND PERMITTED USE	<p>Up to \$2,000,000</p> <p>Proceeds may be used to pay fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster’s impact.</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; retirement benefits; and state and local employment taxes. Commissions are included for self-employed and independent contractors.</p> <p>Payroll Costs 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, and interest on pre-existing loans.</p>

INTEREST RATE	Not to exceed 3.75% for business and 2.75% for nonprofits.	Not to exceed 4% Payments of principal, interest, and fees will be deferred for at least six months, but not more than one year.
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TERM	Up to 30 years	Up to 10 years (if not forgiven)
DEBT FORGIVENESS	Not applicable.	<p>Borrowers are eligible for loan forgiveness for 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 covered mortgage obligations, (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 shall not exceed the principal amount of financing made available under the applicable covered loan and 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> <p>The remaining balance (the unforgiven portion) will have a maximum maturity of 10 years from the date the borrower applies for forgiveness.</p>
COLLATERAL	Yes, for loans over \$25,000	None
GUARANTEE	Yes, for loans over \$200,000	None

<p>APPLICATION PROCESS</p>	<p>Applicants exclusively deal with the SBA. Applications are submitted <u>electronically</u> or by <u>mail</u>.</p> <p>Required to provide:</p> <ul style="list-style-type: none"> • Business tax returns for three prior years • Personal tax returns for each principal owning 20% or more of the applicant • 2019 Federal Tax Returns (or an explanation if not available) • Personal Financial Statements (SBA Form 413) for each applicant and principal owning 20 % or more of the applicant • Applicant’s debt Schedule (SBA Form 2202) • Confirm whether have business interruption insurance <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>Borrowers must certify that loan is necessary due to uncertainty of current economic conditions; that proceeds will be used to retain workers and maintain payroll or make mortgage, rent, or utility payments; and that they are not receiving money from another SBA program for the same uses.</p> <p>Applicants apply through third-party private lenders. This includes most national and local lenders.</p> <p>Required to provide (<i>Subject to change and to lender requirements</i>):</p> <ul style="list-style-type: none"> • Business tax returns for three prior years • Personal tax returns for each principal owning 20% or more of the applicant • 2019 Federal Tax Returns (or an explanation if not available) • Personal Financial Statements (SBA Form 413) for each applicant and principal owning 20 % or more of the applicant • Applicant’s debt Schedule (SBA Form 2202) • Corporate Records/Ownership Information • Business licenses • Loan Records • Business Description and history
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