

# SBA Loan Options Overview

The CARES Act awarded more than \$350 billion dollars to provide emergency economic relief for small businesses throughout America. Such a massive bill will take a while to sort through, but here is a comparison between two options available: Economic Injury Disaster Loan (EIDL) and the Paycheck Protection Program (PPP).

Paycheck Protection Program		Economic Injury Disaster Loan
<ul style="list-style-type: none"> <li>\$349 billion available</li> <li>Low-interest loans, capped at 4 percent to pay payroll costs (defined below) for the eight-week period after the PPP is originated</li> </ul>	<b>ABOUT</b>	<ul style="list-style-type: none"> <li>\$10 billion available</li> <li>Low interest loans capped at 3.75 percent for working capital to small businesses suffering substantial economic injury due to COVID-19.</li> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>February 15, 2020 – June 30, 2020</li> </ul>	<b>TIME</b>	<ul style="list-style-type: none"> <li>January 31, 2020 – December 31, 2020</li> </ul>
<ul style="list-style-type: none"> <li>Any business in operation before Feb. 15, 2020 that has 1) fewer than 500 employees or 2) otherwise meets the SBA’s existing affiliation and Size Standard (predicated or NAICS code and annual revenue).</li> <li>Nonprofits, independent contractors, freelancers, self-employed qualify.</li> <li>Recipients of SBA Disaster Loans made after Jan. 31, 2020, may receive a PPP loan for purposes other than what was borrowed under the SBA Disaster Loan. A business cannot “double dip.”</li> <li>Affiliation rules have been waived for hospitality and restaurant businesses, franchises approved by the SBA, and small businesses that receive financing through a small business investment company.</li> </ul>	<b>WHO CAN</b>	<ul style="list-style-type: none"> <li>Any small business or private nonprofit organization that has less than 500 employees and meets SBA’s Size Standard (predicated or NAICS code) and annual revenue) that has suffered substantial economic injury due to COVID-19.</li> <li>“Substantial economic injury” for a business means it is unable to meet its financial obligations, pay ordinary and necessary operating expenses or has a reduction in working capital.</li> <li>Businesses that have not complied with a previous SBA loan are ineligible.</li> <li>The SBA aggregates and reviews the applicant an all affiliates.</li> </ul>
<ul style="list-style-type: none"> <li>The lesser of 1) 2.5X the average total monthly payroll costs for the prior year or 2) \$10 million.</li> <li>Payroll costs include employee compensation; vacation payments; 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. Payroll costs do not include compensation to employees in excess of \$100,000. Excludes employees outside of the U.S.</li> <li>Proceeds may be used to pay payroll costs, mortgage interest, rent, utilities and interest on pre-existing loans.</li> </ul>	<b>USE &amp; AMOUNT ALLOWED</b>	<ul style="list-style-type: none"> <li>Up to \$2 million</li> <li>Proceeds 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.</li> </ul>
<ul style="list-style-type: none"> <li>5 percent</li> </ul>	<b>INTEREST RATE</b>	<ul style="list-style-type: none"> <li>3.75 percent for business and 2.75 percent for nonprofits</li> </ul>
<ul style="list-style-type: none"> <li>The remaining balance (the unforgiven portion) will have a maximum maturity of 10 years.</li> </ul>	<b>TERM</b>	<ul style="list-style-type: none"> <li>Up to 30 years</li> </ul>
<ul style="list-style-type: none"> <li>Borrowers are eligible to forgive costs paid during the 8-week period after the PPP is originated (covered period) on account of 1) payroll costs, 2) payment of interest owing on per-existing mortgage obligations (secured by real or personal property), 3) covered rent obligations, and 4) utility payments that were in place prior to Feb. 15,2020 (the Amount of Loan Forgiveness).</li> <li>Borrowers may submit an application for loan forgiveness which can be reduced in accordance with a reduction in staff or salaries during the covered period.</li> <li>Workers previously laid off between 2/15/20 and 30 days after the CARES Act enactment but re-hired no later than 6/30/20 shall not be counted against the borrower for loan forgiveness purposes.</li> </ul>	<b>DEBT</b>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
<ul style="list-style-type: none"> <li>None</li> </ul>	<b>COLLATERAL</b>	<ul style="list-style-type: none"> <li>Required for loans over \$25,000.</li> </ul>
<ul style="list-style-type: none"> <li>None</li> </ul>	<b>GUARANTEE</b>	<ul style="list-style-type: none"> <li>Required for loans over \$100,000.</li> </ul>
<ul style="list-style-type: none"> <li>Applicants apply through SBA-approved banks and third-party lenders.</li> <li>Applicants are required to provide (these are subject to change):                             <ul style="list-style-type: none"> <li>Business tax returns for prior three years</li> <li>Personal tax returns for each principal owning 20 percent or more of the applicant</li> <li>2019 Federal Tax Returns or, if not available, an explanation</li> <li>Personal financial statements for each applicant and principal owning 20 percent or more of the applicant (SBA Form 413)</li> <li>Applicant’s debt schedule (SBA Form 2202)</li> <li>Corporate records and ownership information</li> <li>Loan records</li> <li>Business license, description and history</li> </ul> </li> </ul>	<b>HOW TO APPLY</b>	<ul style="list-style-type: none"> <li>Applicants deal exclusively with the SBA and are required to submit applications electronically or by mail and provide:                             <ul style="list-style-type: none"> <li>Business tax returns for prior three years.</li> <li>Personal tax returns for each principal owning 20 percent or more of the applicant.</li> <li>2019 Federal Tax Returns or, if not available, an explanation.</li> <li>Personal financial statements for each applicant and principal owning 20 percent or more of the applicant (SBA Form 413)</li> <li>Applicant’s debt schedule (SBA Form 2202)</li> <li>Confirmation of business interruption insurance.</li> </ul> </li> <li>The SBA determines final loan terms on a case-by-case basis. Loan terms are based on the economic injury sustained and an applicant’s ability to payback its obligations.</li> </ul>
<ul style="list-style-type: none"> <li>Payment can be deferred for the first 6-12 months</li> </ul>	<b>DEFERRAL</b>	<ul style="list-style-type: none"> <li>Payment can be deferred for the first 6-12 months</li> </ul>

