

SBA LOAN COMPARISON

THE CARES ACT

ECONOMIC INJURY DISASTER LOAN (EIDL)

PAYCHECK PROTECTION PROGRAM (PPP)

SUMMARY

Low-interest loans for small businesses suffering substantial economic injury because of COVID-19.

Cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during the COVID-19 emergency.



Borrowers can request a **loan advance of \$10,000** payable three days after their EIDL application. The emergency grant does not need to be repaid. The emergency loan advance will be subtracted from the amount forgiven in the PPP.

COVERED PERIOD

January 31, 2020 – December 31, 2020

February 15, 2020 – June 30, 2020

BORROWER ELIGIBILITY

Any small business that meets the Small Business Administration's size standards that has suffered substantial economic injury because of COVID-19.

Any business in operation before February 15, 2020, that has fewer than 500 employees or otherwise meets the SBA's size standards.

May include nonprofits, independent contractors, and the self-employed

Recipients who received SBA Disaster Loans after January 31, 2020, may receive a PPP loan for purposes other than what they borrowed under the SBA Disaster Loan.

SBA SIZE STANDARDS

Size standards are mostly based on average annual receipts or the average number of employees (i.e. under 500 employees). Visit [sba.gov/document/support--table-size-standards](https://www.sba.gov/document/support--table-size-standards) to learn more.

May include nonprofits, independent contractors, and the self-employed

AFFILIATION RULES

When determining eligibility, the SBA aggregates and reviews the applicant and all of its "affiliates" as one entity.

Standard SBA size and affiliation rules except for those waived for some industries, including hospitality and restaurant.

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LOAN AMOUNTS

Up to \$2,000,000

Up to \$10,000,000

INTEREST RATE

3.75% for businesses
2.75% for nonprofits

1% fixed rate

TERM

Up to 30 years

Two years

COLLATERAL

Yes, for loans over \$25,000

None

GUARANTEE

Yes, for loans over \$200,000

None

PERMITTED USE

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.

Proceeds may be used to pay payroll costs (as defined below), mortgage interest, rent, and utilities.



Whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL and/or Emergency Grant between January 31, 2020, and June 30, 2020, you may also apply for a PPP loan.

YOU CANNOT USE YOUR EIDL FOR THE SAME PURPOSE AS YOUR PPP LOAN.

PAYROLL COSTS

Payroll includes salaries, commissions, tips, certain employee benefits (including health insurance and retirement benefits), state and local taxes and certain types of compensation to sole proprietors or independent contractors. Payroll costs specifically exclude compensation of an individual employee in excess of an annual salary of \$100,000, employees outside the US, FICA and income tax withholdings.

FIRST PAYMENTS DUE

One year after the loan origination date (interest is accrued during the deferment).

Any loan amounts not forgiven are carried forward as an ongoing loan with the terms and rates above, with payments deferred for at least six months (interest is accrued during the deferment).

DEBT FORGIVENESS

Not applicable

The loan amounts will be forgiven as long as the borrower uses the loan for payroll costs, rent, utilities, and mortgage insurance during the eight-week period after the PPP is originated. The amount forgiven is reduced based on failure to maintain the average number of full-time equivalent employees from previous period defined in loan.

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LENDER

US Small Business Administration — SBA

APPLICATION PROCESS

Applications are open and loans are available now.

Apply online today at:
covid19relief.sba.gov/#/

There is no obligation to accept the loan if you qualify. There are no guarantee, service, or prepayment fees, so can apply now even if you are not sure you will need funds. The SBA typically allows 60 days to accept the loan offer, but you can always extend this if required.

REQUIRED INFORMATION

- Business tax returns for three prior years
- Personal tax returns for each principal owning 20% or more of the business
- 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
- Debt Schedule (SBA Form 2202)
- Confirmation of business interruption insurance

PAYCHECK PROTECTION PROGRAM (PPP) LOAN

Financial Institutions that are SBA preferred lenders (all current SBA 7(a) lenders). Additional new lenders may be authorized by the Department of Treasury to help meet demand.

You can find a list of approved lenders here:
sba.gov/partners/lenders/microloan-program/list-lenders

Applications will be available starting April 3, 2020.

Small businesses and sole proprietorships can apply for loans to cover their payroll and other expenses through existing SBA lenders.

Starting April 10, 2020, independent contractors and self-employed individuals will also be able to apply.

LOAN CALCULATION FORMULAS

- **If you were in business February 15, 2019 – June 30, 2019:** Your max loan is equal to 2.5 times your 2019 average monthly payroll costs. If your business employs seasonal workers, you can use monthly payroll from February 15, 2019, to June 30, 2019.
- **If you were not in business between February 15, 2019 – June 30, 2019:** Your max loan is equal to 2.5 times your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- **If you took out an Economic Injury Disaster Loan between February 15, 2020, and June 30, 2020:** If you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

This information on EIDL and PPP is supplied to inform our clients and partners. However, the exact terms of loans are determined solely by the lender(s) and Casey Peterson, LTD can make no representation as to the accuracy or completeness of any information contained herein.



At **Casey Peterson, LTD**, we understand this is a time of uncertainty and fear for many small business owners. As always, if you run into a situation not covered here, or need help with the application processes, please let us know. We're always happy to work with you to find solutions to your most trying concerns.