

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

This chart is intended as a guide to determine which Small Business Administration loan program best fits your company's needs and strategic objectives.

	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 and certain operating expenses for 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 business, private nonprofit organization, agricultural cooperative, employee stock ownership plan or 501(c)(19) veterans organization in operation since January 31, 2020, that has fewer than 500 employees or falls within the SBA Size Standard for the applicable industry (whichever is higher).</p> <p>Sole proprietors, independent contractors and self-employed individuals.</p> <p>A business must have suffered “substantial economic injury” as a result of the COVID-19 pandemic, meaning 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, 501(c)(3) organization, veterans organization or tribal business concern in operation before February 15, 2020, that has fewer than 500 employees or falls within the SBA Size Standard for the applicable industry (whichever is higher).</p> <p>Sole proprietors, independent contractors and self-employed individuals.</p> <p>Businesses that fall within the NAICS Code 72 (accommodations and food services) with 500 or less employees per physical location.</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 EIDL (no “double dipping”).</p>
AFFILIATION	<p>When determining eligibility, the SBA aggregates and reviews the applicant and all of its “affiliates” as one entity.</p> <p>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	Up to \$2,000,000	<p>The lesser of (i) 2.5 times the average total monthly Payroll Costs during the prior 12 months or (ii) \$10,000,000.</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 U.S. federal employment taxes, compensation to an employee in excess of \$100,000 and any compensation to employees located outside the United States.</p>
USE OF PROCEEDS	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>Proceeds may be used to pay payroll support (including paid sick, medical or family leave, and costs related to the continuation of group health care benefits during periods of leave), employee compensation, interest of mortgage payments, rent, utilities and pre-existing loans.</p> <p>Knowing misuse of funds will subject a business or individual to additional liability such as fraud charges.</p>
INTEREST RATE	Not to exceed 3.75% for for-profit businesses and 2.75% for nonprofit organizations.	<p>1%</p> <p>Payments of principal, interest and fees will be deferred for six months, but interest will accrue during this time.</p>
TERM	Up to 30 years	2 years (if not forgiven)



DEBT FORGIVENESS	Not applicable	<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) mortgage interest payments, (3) rent obligations and (4) utility payments (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 proportionally by (1) any reduction in the number of employees during the Covered Period when compared to the prior fiscal year-end or the period beginning January 1, 2020 and ending February 29, 2020 (no reduction if rehired before June 30, 2020); and (2) any 25% or more reduction in pay to employees earning less than \$100,000 when compared to the prior year.</p> <p>No more than 25% of the Amount of Loan Forgiveness may be for non-Payroll Costs.</p>
COLLATERAL	Yes, for loans over \$25,000	None
GUARANTEE	Yes, for loans over \$200,000	None
APPLICATION PROCESS	<p>Applicants exclusively deal with the SBA Applications are submitted electronically or by mail. 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.</p> <p>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 (i.e., most national and local lenders)</p> <p>Download the SBA’s Paycheck Protection Program Application Form.</p> <p>Applicants are required to: (i) submit documentation required by their specific lender to substantiate Payroll Costs (e.g., payroll reports or 1099s (as applicable) and documentation to support health insurance premiums and retirement plan funding) and (ii) make certain certifications regarding the business and its use of the loan proceeds.</p> <p>Applications from businesses accepted starting April 3</p> <p>Applications from independent contractors and self-employed individuals accepted starting April 10</p> <p>One loan per business (including affiliates)</p> <p>Funds will be dispersed on a first-come, first-served basis</p>

