

A comparison of Lending Programs

EIDL	PPP
<i>Who is the lender?</i>	
The SBA	A Bank that does is already an SBA lender or any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program.
<i>When can I apply?</i>	
Now	<ul style="list-style-type: none"> • April 3, 2020 for small businesses and sole proprietorships • April 10, 2020 for independent contractors and self-employed individuals • Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.
<i>Who can apply?</i>	
<ul style="list-style-type: none"> • A business with not more than 500 employees • An individual who operates under a sole proprietorship, with or without employees, or as an independent contractor • A cooperative with not more than 500 employees. • A tribal small business concern, as described in 15 U.S.C. 657a(b)(2)(C), with not more than 500 employees. • A business, including an agricultural cooperative, aquaculture enterprise, nursery, or producer cooperative, that is small under SBA Size Standards found at https://www.sba.gov/size-standards 	<ul style="list-style-type: none"> • Businesses and entities that were in operation on February 15, 2020. • Small businesses, 501(c)(3) nonprofit organizations, 501(c)(19) veterans organization, or Tribal businesses that have fewer than 500 employees, or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher • Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals • Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72 (Hotels and Restaurants), for which the affiliation rules are waived • Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company
<i>What are the affiliation rules?</i>	

Affiliation rules become important when SBA is deciding whether a business’s affiliations preclude them from being considered “small.” Generally, affiliation exists when one business controls or has the power to control another or when a third party (or parties) controls or has the power to control both businesses.

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What is the maximum amount of the loan?

The maximum loan size is \$2 million. Applicants who apply for this loan may request an advance of up to \$10,000 from the SBA. The advance will be distributed within 3 days. Applicants are not required to repay this advance.

The maximum loan size is \$10 million. The calculation is as follows:

- If you were in business February 15, 2019 – June 30, 2019, the max loan is equal to 2.5x the average monthly payroll costs of the 12 months prior to your application. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date
- If you were not in business between February 15, 2019 – June 30, 2019, the max loan is equal to 2.5x the average monthly payroll costs between January 1, 2020 and February 29, 2020
- If you took out an EIDL between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

Payroll includes:

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Group health care benefits, including insurance premiums
- Retirement benefits
- State or local tax assessed on the compensation of employees

Payroll excludes:

- Employee/owner compensation in excess of \$100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

What is the annual interest rate?

3.75% for businesses, 2.75% for non-profits

1%

<i>What is the term of the loan?</i>	
Up to 30 years	2 years
<i>When is the first loan payment due?</i>	
One year after the loan origination date (interest is accrued during the deferment)	At least six months after the loan origination date (interest is accrued during the deferment)
<i>What can we use the loan for?</i>	
Financial obligations and operating expenses that could have been met had the disaster not occurred	<p>Permitted costs which are:</p> <ul style="list-style-type: none"> • Employee salaries, commissions, or similar compensations (see exclusions above) • Health insurance premiums and costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave • Payments of interest on any mortgage obligation but excluding any prepayments or payments of principal • Rent (including rent under a lease agreement) • Utilities • Interest on any other debt obligations that were incurred before the Covered Period (as defined below)
<i>Is there a loan forgiveness program?</i>	
No	Yes – calculated as the amount spent on Permitted costs by the borrower during an 8-week period (the “Covered Period”) after the origination date of the loan
<i>What reduces the forgiveness?</i>	
N/A	<p>The amount forgiven is reduced based on failure to maintain the average number of full-time equivalent employees versus the period from either February 15, 2019, through June 30, 2019, or January 1, 2020, through February 29, 2020, as selected by the borrower. The amount forgiven is also reduced to the extent that compensation for any individual making less than \$100,000 per year is reduced by more than 25% measured against the most recent full quarter. Reductions in the number of employees or compensation occurring between February 15, 2020, and 30 days after enactment of the CARES Act will generally be ignored to the extent that reductions are reversed by June 30, 2020. Forgiven amounts will not constitute cancellation of indebtedness income for federal tax purposes.</p>

<i>How do I get forgiveness?</i>	
N/A	<p>You must apply through your lender for forgiveness on your loan. In this application, you must include:</p> <ul style="list-style-type: none"> • Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings • Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities • Certification from an officer of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.
<i>What collateral is required?</i>	
The SBA will place a UCC lien against the assets of the business	No collateral is required from either the business or its owners
<i>Is a personal guarantee required?</i>	
Yes, for loans > \$200,000, owners of > 20% of the business, managing members of LLCs, managing partners of LPs. However, no liens will be taken against real estate owned by the guarantor	No.
<i>Do I need to have filed my 2019 Taxes to apply?</i>	
No, 2019 Taxes do not have to be filed prior to applying for the loan. However, businesses will be asked to submit IRS form 4506T, which provides the SBA with access to historical tax returns	Will depend on the lender