

## Comparison of SBA Covid-19 Loans EIDL Loans (Section 7(b)) v. Payment Protection Program Loans (Section 7(a))

Issue/Question	Economic Injury Disaster Loan (EIDL) - Section 7(b)	Payment Protection Program Loan (PPP) - Section 7(a)
<b>How Do I Apply?</b>	Apply directly with the <a href="#">SBA</a>	<p>Individual lenders will make SBA guaranteed loans, find out where with the <a href="#">US Dept of Treasury</a>.</p> <p>Also, see the <a href="#">PPP loan application checklist</a>.</p> <p>The largest SBA lenders are Wells Fargo, U.S. Bank and J.P. Morgan Chase. Otherwise borrowers should ask their local lender to see whether it is participating in the program.</p>
<b>When Should I Apply?</b>	As soon as possible, starting January 31, 2020 through December 31, 2020	<p>As soon as possible, starting April 3, 2020 through June 30, 2020.</p> <p>Starting April 10, 2020, Section 7(a) Loan applications will be available to independent contractors and self-employed individuals.</p>
<b>Basics?</b>	<p>Low-interest (3.75% for small businesses and 2.75% for private nonprofit organizations) long-term loans, and \$10,000 emergency grants.</p> <p>The emergency grants will be provided within 3 days of submitting an application, and are intended to be used for payroll to retain employees during business disruption, rent or mortgage payments.</p>	<p>100% federally-backed loans up to a maximum amount, as described below, to eligible businesses to help pay operational costs like payroll, rent, health benefits, insurance premiums, utilities, etc.</p> <p>The interest rate on loans under the program is not to exceed 4%.</p>

<p><b>Who Can Apply?</b></p>	<p>The following entities may receive SBA disaster loans:</p> <p>(a) a business with not more than 500 employees;</p> <p>(b) sole proprietorships, with or without employees, and independent contractors;</p> <p>(c) cooperatives with not more than 500 employees;</p> <p>(d) ESOPs with not more than 500 employees; and</p> <p>(e) tribal small business concerns.</p>	<p>Any business concern, nonprofit organization, veterans’ organization, or Tribal business if it employs not more than the greater of</p> <p>(a) 500 employees (includes full-time, part-time, and those employed on other bases); or</p> <p>(b) if applicable, the size standard in number of employees established by the Administration for the industry in which the entity operates.</p> <p>Businesses with more than one physical location are eligible so long as each location employs no more than 500 employees.</p> <p>Sole proprietorships, independent contractors and certain self-employed individuals are also eligible.</p>
<p><b>Are there Additional Eligibility Requirements?</b></p>	<p>n/a</p>	<p>The borrower must show that it was (i) in operation on February 15, 2020 and (ii) had employees for whom it paid salaries and payroll taxes; or paid independent contractors. Must also include a good-faith certification that:</p> <ul style="list-style-type: none"> <li>• The loan is needed to continue operations during the COVID-19 emergency;</li> <li>• Funds will be used to retain workers and maintain payroll or make mortgage, lease, and utility payments;</li> <li>• The applicant does not have any other application pending under this program for the same purpose; and</li> <li>• From February 15, 2020 until December 31, 2020, the applicant has not received duplicative amounts under this program</li> </ul>
<p><b>How much can I apply for?</b></p>	<p>The maximum amount is \$2,000,000. Loans may have a term of up to 30 years.</p>	<p>The maximum amount (capped at \$10 million) is the lesser of:</p> <p>(a) 2.5 times average total monthly payroll costs incurred in the</p>

	<p>Emergency grant of up to \$10,000, paid within a few days, which does not have to be repaid even if the loan application is later denied.</p>	<p>one-year period before the loan is made (or for seasonal employers the average monthly payroll costs for the 12 weeks beginning on February 15, 2019, or from March 1, 2019 to June 30, 2019);</p> <p><b>Plus</b> the outstanding amount of a loan made under the SBA’s Disaster Loan Program between January 31, 2020 and the date on which such loan may be refinanced as part of this new program;</p> <p>(b) Upon request, for businesses that were not in existence during the period from February 15, 2019 to June 30, 2019 – 2.5 times the average total monthly payroll payments from January 1, 2020 to February 29, 2020;</p> <p><b>Plus</b> the outstanding amount of a loan made under the SBA’s Disaster Loan Program between January 31, 2020 and the date on which such loan may be refinanced as part of this new program; OR</p> <p>(c) \$10 million.</p>
<p><b>How Can I Use the Funds?</b></p>	<p>Purposes already authorized under the SBA Disaster Loan Program, including:</p> <ul style="list-style-type: none"> <li>(i) providing sick leave to employees unable to work due to direct effect of COVID-19;</li> <li>(ii) maintaining payroll during business disruptions during slow-downs;</li> <li>(iii) meeting increased supply chain costs;</li> <li>(iv) making rent or mortgage payments; and</li> <li>(v) repaying debts that cannot be paid due to lost revenue.</li> </ul>	<p>Permitted uses for the loans are:</p> <ul style="list-style-type: none"> <li>(i) payroll costs, including: (a) compensation to employees, such as salary, wage, commissions, cash, etc. (capped at \$100,000/year); (b) paid leave; (c) severance payments; (d) payment for group health benefits, including insurance premiums; (e) retirement benefits; (f) state and local payroll taxes; or (g) compensation to sole proprietors or independent contractors (including commission-based compensation) up to \$100,000/year, prorated for the covered period;</li> <li>(ii) Group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;</li> </ul>

	<p>Not intended to replace lost sales or profits and cannot be used for certain purposes, including to refinance debt, make payments on loans owed by another federal agency, to pay tax penalty obligations, repair physical damages, or to pay dividends to stockholders.</p>	<p>(iii) Salaries, commissions, or similar compensations;</p> <p>(iv) Payments of interest on mortgage obligations;</p> <p>(v) Rent/lease agreement payments;</p> <p>(vi) Utilities; and</p> <p>(vii) Interest on any other debt obligations incurred before the covered period.</p>
<p><b>Do I Have to Pay it Back?</b></p>	<p>While an EIDL loan provides for the \$10,000 emergency grant, the EIDL loan, itself, must be repaid.</p>	<p>It depends: 1) loan payments may be deferred for six months to a year, and 2) some or all of the loan may be forgivable, effectively turning much of the loan into a grant.</p> <p>The amount eligible for forgiveness is the amount expended by the business (for an 8 week period) on payroll costs, interest payments on mortgages, rent, and utility payments, which includes electricity, gas, water, transportation, telephone, and internet access.</p>
<p><b>Do I Need a Personal Guarantee and/or Collateral?</b></p>	<p>If an EIDL Loan is less than \$200,000, personal guarantees are waived.</p> <p>If a business requires a loan of more than \$200,000 that would trigger a personal guarantee provision.</p>	<p>Personal guarantees and collateral requirements are waived for Section 7(a) loans.</p>
<p><b>Can I Apply for Both? How Does That Work?</b></p>	<p>Applicants who apply for an EIDL Loan and the Emergency Grant, can still apply for a Section 7(a) loan. However the amount forgiven under the Section 7(a) Loan will be decreased by the \$10,000 Emergency Grant. Applicant can apply for the EIDL Loan immediately, and then roll over into the Section 7(a) loans once those applications become available.</p>	