

# Economic Relief Programs for Small Businesses in Response to the COVID-19 Crisis

*A look at PPP, SBA EIDL and the SBA EIDL  
Emergency Grant programs*

*3/28/2020*

# Paycheck Protection Program (PPP)

***Note: The following information remains subject to issuance of the  
SBA Guidelines***

## Paycheck Protection Program (PPP)

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The Paycheck Protection Program is designed to provide borrowers with payroll relief in exchange for retaining their workforce.

### Qualifications:

GREATER OF:

- 500 employees OR
- SBA employee size standard. See SBA size standards chart at [https://www.ecfr.gov/cgi-bin/text-idx?SID=b919ec8f32159d9edaaa36a7eaf6b695&mc=true&node=pt13.1.121&rgn=div5#se13.1.121\\_1201](https://www.ecfr.gov/cgi-bin/text-idx?SID=b919ec8f32159d9edaaa36a7eaf6b695&mc=true&node=pt13.1.121&rgn=div5#se13.1.121_1201)

**Note:** The size of the applicant combined with its affiliates must not exceed the size standards designated above. The affiliation language in the SBA size standard guidelines may limit the ability for some of our companies to participate. Additional information on affiliation can be found here:

[https://www.sba.gov/sites/default/files/affiliation\\_ver\\_03.pdf](https://www.sba.gov/sites/default/files/affiliation_ver_03.pdf)

## PPP - Loan Amounts & Qualifying Costs

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### Maximum Loan Amount:

- 2.5x the average total monthly payments for payroll costs incurred during the one-year period before the date on which the loan is made. This period will likely be April 1, 2019 through March 30, 2020.

**Note 1:** For seasonal businesses the calculation can be 2.5x average monthly payroll costs incurred for the period between Feb 15, 2019 to June 20, 2019 or March 1, 2019 to June 20, 2019 – the SBA will determine if the business can be considered seasonal.

### Payroll costs include:

- 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
- Healthcare benefits, including insurance premiums
- Any retirement benefit
- State or local tax assessed on the comp. of employees
- Sum of payments of any compensation to independent contractors or sole proprietorships that is a wage, commission income, net earnings from self employment, or similar compensation

## PPP - Loan Amounts & Qualifying Costs Cont.

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### **EXCLUDED costs:**

- Average monthly compensation of an individual employee (and independent contractors/sole proprietorships referenced on the previous slide) is capped at \$8,333.33 per month which equates to an annualized salary of \$100K
- Taxes imposed or withheld under chapter 21, 22 or 24 of the IRS
- Any compensation of an employee whose principal residence is outside of the U.S.
- Qualified sick leave or family leave for which a credit is allowed under section 7001 or 7003 of the Families First Coronavirus Response Act

## **PPP - Loan Forgiveness**

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### **Loan Forgiveness:**

Equals the sum of the following costs incurred and payments made during the 8-week period beginning on the date of the origination (“covered period”)

- Payroll costs (capped at \$100k /yr/person)
- Payments of interest on mortgage
- Rent
- Utilities

### **Forgiveness can be REDUCED based on the following:**

1. Reduction in full-time equivalents
2. Reduction in wages

## **PPP - Loan Forgiveness Cont.**

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### **Term for unforgiven portion:**

- Maximum maturity of 10 years
- 4% interest
- No prepayment penalty
- All payments of interest and principal deferred for minimum 6 months and maximum 1 year for remaining non-forgiven portion

## **PPP - Additional Notes**

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- No collateral requirements
- No personal guarantee
- No credit elsewhere test



# **SBA Economic Injury Disaster Loan (EIDL)**

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The Small Business Administration's (SBA) Economic Injury Disaster Loan program offers low-interest loans of up to \$2 million to help businesses overcome temporary loss of revenue caused by the coronavirus.

### **Qualifications:**

- Any small business (independently owned and operated) fitting the SBA employee size standard for that industry. See SBA size standards chart at [https://www.ecfr.gov/cgi-bin/text-idx?SID=b919ec8f32159d9edaaa36a7eaf6b695&mc=true&node=pt13.1.121&rqn=div5#se13.1.121\\_1201](https://www.ecfr.gov/cgi-bin/text-idx?SID=b919ec8f32159d9edaaa36a7eaf6b695&mc=true&node=pt13.1.121&rqn=div5#se13.1.121_1201)
- The size of the applicant combined with its affiliates must not exceed the size standard designated for either the primary industry of the applicant alone or the primary industry of the applicant and its affiliates, whichever is higher.
- Businesses must be physically located in disaster-declared areas, which now comprise all 50 states.

## **EIDL - Loan Amounts and Proceeds**

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### **Maximum Loan Amount:**

- \$2 million
- Maximum unsecured loan amount is \$25,000 (applicants can have an existing SBA Disaster Loan and still qualify for an EIDL, but the loans cannot be consolidated)

### **Use of Proceeds:**

- Fixed debts (rent, etc.)
- Payroll
- Accounts payable
- Some bills that could have been paid had the disaster not occurred
- Inventory

## **EIDL - Forgiveness and Terms**

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### **Loan Forgiveness:**

- None

### **Terms**

- Terms up to 30 years
- 3.75% interest (small businesses); 2.75% (most private nonprofits)
- \$25,000 initial disbursement, with other disbursements scheduled with a loan officer

## **EIDL - Additional Notes**

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### **Additional notes:**

- Collateral required – except for EIDLs of less than \$25,000
  - SBA takes real estate as collateral when it is available
  - SBA will not decline a loan for lack of collateral but requires borrowers to pledge what is available
- Loan approval criteria includes:
  - Credit history acceptable to SBA
  - Repayment
  - Eligibility
- Loan approval solely on credit score
- Filing requirements:
  - SBA loan application (SBA form 5 or 5C)
  - SBA form 1368
  - Personal financial statement (SBA form 413)
  - Schedule of liabilities (SBA form 2202) tax information authorization (IRS form 4506T)
  - Copies of the most recent federal income tax return
  - SBA form 1368

# **SBA Economic Injury Disaster Loan (EIDL) Emergency Grants**

## **SBA Economic Injury Disaster Loan (EIDL) Grants**

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Under the Emergency Grant program, eligible businesses that apply for EIDLs can receive an advance of up to \$10,000, within three (3) days after receipt of the application. The funds will not be required to be repaid, even if the business is denied a loan.

### **Qualifications:**

- Small businesses with 500 or fewer employees
- Sole proprietorships (with or without employees or as independent contractors)
- Cooperative of 500 or fewer employees
- ESOP (500 or fewer employees)
- Tribal small business concern (500 or fewer employees)

## **EIDL Grants - Amounts and Use of Funds**

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### **Maximum Grant Amount:**

- \$10,000

### **Use of Grant Funds:**

- Provide sick leave to employees unable to work due to direct effect of COVID-19
- Maintain payroll to retain employees during business disruptions or substantial slowdowns
- Meet increased costs to obtain materials unavailable from applicant's original source due to interrupted supply chains
- Make rent or mortgage payments
- Repay obligations that cannot be met due to revenue loss
- **Unemployment Grant**—if an applicant receives an EIDL advance or is approved for the 7(a) loan, the advanced amount will be reduced from the loan forgiveness amount.



## **EIDL Grants Cont. - Additional Notes**

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### **Additional notes:**

- No credit elsewhere test
- No personal guarantee
- Businesses must be in operation by January 31, 2020

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