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Economic Injury Disaster Loan (EIDL) VS. Paycheck Protection Program (PPP)

This information is supplied to inform clients of the SBA loans for EIDL and PPP. The exact terms will be determined by the lender and ADKF cannot make representation to the accuracy and completeness of this information.

EIDL

PPP

Who is the lender and when can an application be filed?

The SBA, now

SBA Approved Banks

- 4/3/20 for small businesses & sole proprietorships
- 4/10/20 for self-employed individuals

Who can apply?

- A business with no more than 500 employees
- An individual who operates under a sole proprietorship, with or without employees, or as an independent contractor
- A cooperative with no 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>

- Businesses, nonprofit organizations, that have fewer than 500 employees operating as of 2/15/20
- Individuals who operate a sole proprietorship or as self-employed individuals
- Any business concern that employs no 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



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 the lesser of 2.5x the average monthly payroll costs of 2019 and \$10MM.

Payroll includes:

- Compensation (salary, wage, tips, or similar)
- Vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Group health care benefits, including premiums
- Retirement benefits
- State or local tax assessed on compensation

Payroll excludes:

- Compensation in excess of \$100,000 per employee
- FICA, Railroad, and FITWH
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified leave credit utilized for FFCRA

For Self-Employed Individuals: Net earnings from self-employment not to exceed \$100,000 per year, pro-rated for the covered period.

What are the terms of the loan?

3.75% for businesses, 2.75% for non-profits, Up to 30 yrs
One-year payment deferral (interest accrues)

1%, 2 years
6-month payment deferral (interest accrues)

What can we use the loan for?

Financial obligations and operating expenses that could have been met had the disaster not occurred

NOTE: Funds should be accounted for separately for EIDL and PPP

- Payroll Cost
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the Covered Period



Can the loan be forgiven?

No, HOWEVER the \$10,000 advancement is a grant that does not need to be paid back

Yes – amount spent on Permitted costs during 8-week covered period after origination date

Recommend spending at least 75% of funding on payroll costs and 25% on non-payroll costs

What reduces the forgiveness?

N/A

The amount forgiven is reduced based on either:

1. Failure to maintain the average number of full-time equivalent employees from 2/15/19-6/30/19 versus the period for 2020
2. Compensation for any individual making less than \$100,000 per year reduced by more than 25% measured against the most recent full quarter
3. Either can be remedied by 6/30/20

Forgiven amounts will not constitute cancellation of indebtedness income for federal tax purposes.

How do I receive forgiveness?

N/A

You must apply through your lender. Application will include:

- Documentation verifying number of employees on payroll and pay rates, including IRS and State payroll tax 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.

Is collateral or personal guarantee required?

Collateral: UCC lien against the assets of the business
Guarantee: Yes, for loans > \$200,000, owners of > 20% of entity

No