

## **SBA Paycheck Protection Program vs. SBA Economic Injury Disaster**

**This guide seeks to provide businesses with information on Small Business Administration loan options. One can find a side-by-side comparison of these loans in the guide along with specific details on each loan created by the U.S. Chamber.**

### **SBA Paycheck Protection Program**

The Paycheck Protection Program (PPP) is part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This is a nearly \$350-billion program intended to provide American small businesses with eight weeks of cash-flow assistance through 100 percent federally guaranteed loans. See the U.S. Chambers new guide that helps you check eligibility, understand loan parameters, and other information below.

### **SBA Economic Injury Disaster Loan**

As you may know, the CARES Act expanded the Small Business Administration's long-standing Economic Injury Disaster Loan (EIDL) program. The EIDL program was created to assist businesses, renters, and homeowners located in regions affected by declared disasters. The program is applicable to small businesses and most small nonprofits (less than 500 employees), sole proprietors and independent contractors. See the U.S. Chambers new guide that helps you check eligibility, understand loan parameters, and find out how to access \$10,000 emergency grants below.

*The Bainbridge - Decatur County Chamber seeks to provide access to recommendations, regulations, services and expertise to its members. During the COVID-19 pandemic, this mission remains constant. Prior to acting, members should consult their own professional advisors for information and counsel specific to the individual and unique situations faced by organizations, individuals and corporations. The opinions, interpretations and recommendations of the Bainbridge Decatur County Chamber are informational only and should not be relied upon by the recipient as legal or professional advice. The Bainbridge Decatur County Chamber makes no representations as to the accuracy or reliability of the content contained herein. Users of this information accept any and all risks associated with the use of such information and agree that the Bainbridge Decatur County Chamber has no liability to user.*

## Small Business Administration Loan Options

	Who is Eligible?	Terms	Interest Rate	Payment Deferred	Collateral	Personal Guarantee	Access to Credit Elsewhere	Maximum Loan Amount	Restrictions	Loan Forgiveness	How to Apply
<b>Paycheck Protection Program</b>	Businesses w/ Max of 500 Employees, Sole proprietorships, Independent contractors, Self-employed individuals, Non-profits	2 Years	0.5 % Fixed	6 Months	None	None	Access to Credit Elsewhere will not hinder your chances of receiving this loan.	Monthly Payroll Costs x 2.5, but no more than \$10 Million.	To be used on payroll expenses including benefits, mortgage interest payments, rent, utilities, interest on any other debt.	Yes, if number of full time-staff is maintained or salaries aren't decreased.	Through Local Participating Lender
<b>Economic Injury Disaster Loan</b>	Businesses w/ Max of 500 Employees, Sole proprietorships, Independent contractors, Self-employed individuals, Non-profits, Veterans Organizations	30 Years	Fixed 3.75% or 2.75 % for Non-Profits	6-12 Months	For Loans Over \$25,000	Less than \$200,000 no personal guarantee	Generally need to have no other source of credit.	\$2 Million	Expenses that could have been met if the disaster not occurred.	No. This loan requires repayment.	Online - <a href="http://www.sba.gov/funding-programs/disaster-assistance">www.sba.gov/funding-programs/disaster-assistance</a>
<b>Economic Injury Disaster Loan Advance *applied for in conjunction with a disaster loan.</b>	Businesses w/ Max of 500 Employees, Sole proprietorships, Independent contractors, Self-employed individuals, Private Non-profits	Applicants receive grant within 72 Hours regardless of application being accepted or denied.	0%	N/A	N/A	N/A	N/A	\$10,000	N/A	Yes, this grant does not have to be paid back.	Online - <a href="http://www.sba.gov/funding-programs/disaster-assistance">www.sba.gov/funding-programs/disaster-assistance</a>



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# CORONAVIRUS EMERGENCY LOANS

## Small Business Guide and Checklist

Updated: April 1, 2020



The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program (PPP), the initiative provides 100% federally guaranteed loans to small businesses.

Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

The administration has released initial guidelines; they are available at [www.treasury.gov](http://www.treasury.gov). The U.S. Chamber of Commerce has issued this guide to help small businesses and self-employed individuals check eligibility and prepare to file for a loan.

Small businesses and sole proprietors can begin applying on April 3. Independent contractors and self-employed individuals can apply beginning on April 10.

Here are the questions you may be asking—and what you need to know.

You can apply through any existing SBA 7(a) lender or through 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. You should consult with your local lender as to whether it is participating.

While the program is open until June 30, 2020, the government is advising borrowers to **apply as soon as possible** given the loan cap on the program.

## 1 Am I ELIGIBLE?

You are eligible if you are:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

**REMEMBER:** The 500-employee threshold includes all employees: full-time, part-time, and any other status.

## 2 What will lenders be LOOKING FOR?

Borrowers will need to complete the Paycheck Protection Loan Application (which is available [HERE](#)) and payroll documentation

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.



## What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

### 3 How much can I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed **\$10 million**.

#### How do I calculate my average monthly PAYROLL COSTS?



#### INCLUDED Payroll Cost:

- For Employers:** The sum of payments of any compensation with respect to employees that is a:
  - 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
  - payment required for the provisions of group health care benefits, including insurance premiums
  - payment of any retirement benefit
  - payment of state or local tax assessed on the compensation of the employee
- For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

#### EXCLUDED Payroll Cost:

1. Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act



#### NON SEASONAL EMPLOYERS:

**Maximum loan =**  
2.5 X Average total monthly payroll costs incurred during the year prior to the loan date

#### For businesses not operational in 2019:

2.5 X Average total monthly payroll costs incurred for January and February 2020

#### SEASONAL EMPLOYERS:

**Maximum loan =**  
2.5 X Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019

- Payments deferred for six months
- 0.50% fixed interest rate
- Loan is due in two years

### 4 Will this loan be FORGIVEN?

Borrowers are eligible to have their loans forgiven.

#### How Much?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

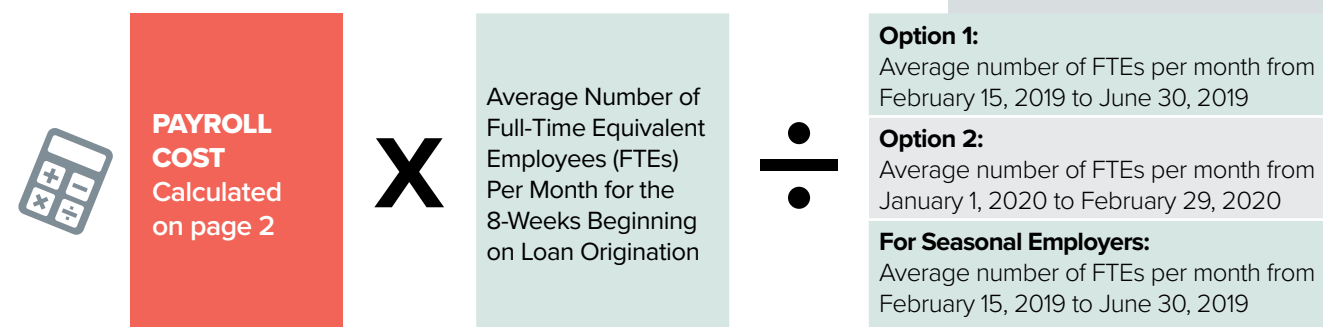
- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees

**NOTE:** The government is now advising that because of high participation, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. The loan forgiveness cannot exceed the principal.

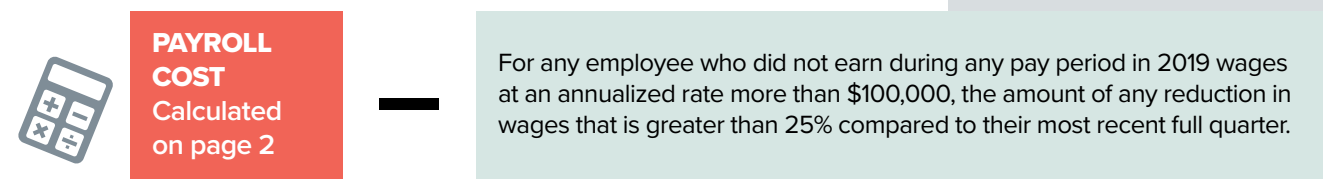
#### How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:

#### Reduction based on reduction of number of employees



#### Reduction based on reduction in salaries



#### What if I bring back employees or restore wages?

Reductions in employment or wages that occur between February 15, 2020 and April 26, 2020 (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

## WHAT'S NEXT?

Look out for more information about eligible lenders and additional guidance from the SBA soon.

For more guidance and resources for small businesses, visit [uschamber.com/co](https://uschamber.com/co)

*Private lenders will ultimately issue PPP loans based on guidance from the SBA and Treasury Department. More information, including from lenders, should be available once the guidance is issued.*

# GUIDE TO SBA'S ECONOMIC INJURY DISASTER LOANS

The Coronavirus Aid, Relief, and Economic Security (CARES) Act expands the Small Business Administration's long-standing Economic Injury Disaster Loan Program (EIDL). The EIDL program was created to assist businesses, renters, and homeowners located in regions affected by declared disasters.

## Who is **ELIGIBLE?**

In general, all of the following entities that have suffered substantial economic injury caused by a disaster provided they were in existence on January 31, 2020:

- Businesses with fewer than 500 employees
- Cooperatives, ESOPs, and tribal small businesses with fewer than 500 employees
- Sole proprietors
- Independent contractors
- Most private nonprofits

## What are the **LOAN PARAMETERS?**

- The maximum EIDL is a \$2 million working capital loan at a rate of 3.75% for businesses and 2.75% for nonprofits with up to a 30-year term
- Payments on Coronavirus EIDL loans are deferred for one year
- Up to \$200,000 can be approved without a personal guarantee
- Approval can be based on a credit score and no first-year tax returns are required
- Borrowers do not have to prove they could not get credit elsewhere

- No collateral is required for loans of \$25,000 or less. For loans of more than \$25,000, general security interest in business assets will be used for collateral instead of real estate
- The borrowers must allow the SBA to review its tax records

## How can I access an **EMERGENCY \$10,000 GRANT?**

- Eligible applicants for an EIDL can receive a \$10,000 emergency grant within three days of application (through Dec. 31)
- There is no obligation to repay the grant. To receive the \$10,000 emergency grant, it is not necessary to have an approved EIDL loan. However, if you are able to secure a PPP loan, the \$10,000 grant will be subtracted from the forgiveness amount

**NOTE:** The Paycheck Protection Program (PPP) created by the CARES Act prohibits borrowers from taking out two loans for the same purpose. For more information on PPP loans, visit [uschamber.com/sbloans](https://www.uschamber.com/sbloans)

## How do I **APPLY?**

Apply online at **[SBA.gov/disaster](https://www.sba.gov/disaster)**