

# Insights

## Comparisons of the Economic Injury Disaster Loan (EIDL) and the Paycheck Protection Program (PPP)

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**[UPDATED APRIL 17, 2020]** On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (the “Act”) which provides significant economic benefits to small businesses. Two of the most economically beneficial programs available to small businesses are the Economic Injury Disaster Loan (“EIDL”) and the expansion of loans under Section 7(a) to provide for the Paycheck Protection Program (“PPP”). Below is a comparison of these two programs.

Consideration	Economic Injury Disaster Loan	Paycheck Protection
<b>Where do I apply?</b>	Through the SBA at <a href="https://sba.gov/disaster">sba.gov/disaster</a>	Through an existing SBA lender. More information can be found <a href="#">here</a> . It is recommended to contact your lender to determine whether they are participating in the program.
<b>How long does the program last?</b>	Until December 31, 2020, but all funds are gone until Congress appropriates additional funding.	Until June 30, 2020 but Congress can extend the program if it appropriates additional funding.

<p><b>When can an applicant apply?</b></p>	<p>Now.</p>	<p>Now for small business April 10<sup>th</sup> for independent individuals. All other regulated le soon as they are app Program proceeds w basis.</p>
<p><b>Who is eligible?</b></p>	<p>All businesses, cooperatives, nonprofits, ESOPs, sole proprietorships, independent contractors, and tribal business concerns with less than 500 employees.</p>	<p>Same, except veterar</p>
<p><b>What fees are charged?</b></p>	<p>Fees are waived.</p>	<p>Fees are waived.</p>
<p><b>What is the maximum size of the loan?</b></p>	<p>Up to \$2,000,000, although further guidance is expected on the max amount being reduced due to the number of applicants and funds available.</p>	<p>The lesser of (i) \$10,0 payroll costs during t an EIDL between Feb applicant wants to re Payroll costs are defi tips, payments for va insurance premiums payroll taxes. Amoun that are in excess of payroll costs. This ex For information on h <b>here.</b></p>
<p><b>What is the maximum term of the loan?</b></p>	<p>Up to 30 years</p>	<p>2 years after loan for</p>

<p><b>What is the maximum interest rate of the loan?</b></p>	<p>3.75% for businesses; 2.75% for nonprofits</p>	<p>1.0%</p>
<p><b>Will the loan be forgiven?</b></p>	<p>No loan forgiveness, but you may request an emergency advance up to \$10,000 (at \$1,000 per employee up to 10 employees) that is not required to be repaid regardless of whether you qualify for and receive a loan.</p>	<p>Yes. Subject to any requirements, the loan will be forgiven for the portion that are used on payroll, rent, and utilities from February 15, 2020 to June 30, 2020. The SBA has provided guidance that the forgiven amount will be used for payroll, rent, and utilities.</p>
<p><b>Can loan forgiveness be reduced?</b></p>	<p>Not applicable.</p>	<p>Yes. The forgiveness amount must remain the same if you close on the loan between January 1, 2019 until June 30, 2020. The period chosen for forgiveness amount must be the same amount of wage and salary as the amount of wage and salary or more compared to the amount of wage and salary that occurred between January 1, 2019 until June 30, 2020. Any reductions in the amount of wage and salary that occurred between January 1, 2019 until June 30, 2020 will not be included in the forgiveness amount. If reductions are reversed, the forgiveness amount will be recalculated.</p>
<p><b>What can the loan proceeds be used for?</b></p>	<p>Fixed debts, payroll, accounts payable and other debts that would have been paid but for the disaster occurring.</p>	<p>Payroll costs, health care, mortgage interest, rent, and utilities from February 15, 2020 to June 30, 2020.</p>
<p><b>When is the first loan payment due?</b></p>	<p>One year after the closing of the loan. Interest accrues during the deferment period.</p>	<p>Six months after the end of the deferment period.</p>

<b>Are personal guaranties or collateral required?</b>	<p>For any loans in excess of \$200,000 personal guaranties are required.</p> <p>The SBA will also place a UCC lien against the assets of the business.</p>	<p>No.</p>
<b>Do I have to be turned down by other lenders to be eligible under this program?</b>	<p>No.</p>	<p>No.</p>

Krieg DeVault is committed to helping you and your business during these unprecedented times. With your needs in mind, we have established a **COVID-19 Resource Center** to assist you through this process.

If you have any further questions, comments or concerns, please feel free to contact **Robert A. Greising**, **Corben A. Lee** or a member of our **Business, Acquisitions & Securities team**