

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
Where do I apply?	Through the SBA at sba.gov/disaster	Through an existing program can be found. It is recommended to check with your lender.
How long does the program last?	Until December 31, 2020, but all funds are gone until Congress appropriates additional funding.	Until June 30, 2020, Congress appropriates additional funding.

When can an applicant apply?	Now.	<p>Now for small business.</p> <p>April 10th for independent contractors and individuals.</p> <p>All other regulated lenders must apply as soon as they are able.</p> <p>Program proceeds on a first-come, first-served basis.</p>
Who is eligible?	All businesses, cooperatives, nonprofits, ESOPs, sole proprietorships, independent contractors, and tribal business concerns with less than 500 employees.	Same, except veterans.
What fees are charged?	Fees are waived.	Fees are waived.
What is the maximum size of the loan?	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>The lesser of (i) \$10,000 or (ii) 2.5% of the borrower's monthly payroll costs for the period beginning on February 15, 2020 and ending on June 30, 2020 if the applicant is a small business.</p> <p>Payroll costs are defined as the sum of cash wages, salaries, commissions, tips, and other cash compensation that are paid to or for the employee during the period of the loan, plus the cost of health insurance, sick leave, and other non-cash benefits. For the purpose of the calculation of payroll costs, the value of non-cash benefits is treated as if it were cash.</p>
What is the maximum term of the loan?	Up to 30 years	2 years after loan forgiveness
What is the maximum interest rate of the loan?	3.75% for businesses; 2.75% for nonprofits	1.0%

Will the loan be forgiven?	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.	Yes. Subject to any conditions, the loan will be forgiven for expenses that are used for payroll, rent, or utilities. The SBA has provided that the forgiven amount will
Can loan forgiveness be reduced?	Not applicable.	Yes. The forgiveness amount must be maintained after you close on the loan until June 30, 2020. The period for forgiveness amount is based on the amount of wage and salary paid or more compared to the same period in 2019 until June 30, 2020. Any reductions in the salary that occurred in 2020 will not be included in the amount if the reduction
What can the loan proceeds be used for?	Fixed debts, payroll, accounts payable and other debts that would have been paid but for the disaster occurring.	Payroll costs, health insurance, mortgage interest, rent, prior to February 15,
When is the first loan payment due?	One year after the closing of the loan. Interest accrues during the deferment period.	Six months after the end of the deferment period.
Are personal guaranties or collateral required?	For any loans in excess of \$200,000 personal guaranties are required. The SBA will also place a UCC lien against the assets of the business.	No.
Do I have to be turned down by other lenders to be eligible under this program?	No.	No.



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**.