

Insights

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

April 1, 2020

By: Robert A. Greising and Corben A. Lee

[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 SBA lender. More information can be found here . It is recommended to consult with your lender whether they are participating in the program.
How long does the program last?	Until December 31, 2020, but all funds are gone until Congress appropriates additional funding.	Until June 30, 2020 but all funds are gone until 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 can apply as soon as they are approved.</p> <p>Program proceeds with 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) \$10,000,000 or (ii) 12 months of payroll costs during the period of an EIDL between February 1, 2020, and June 30, 2020, whichever the applicant wants to receive.</p> <p>Payroll costs are defined as compensation, tips, payments for vacation, sick leave, insurance premiums, and payroll taxes. Amounts that are in excess of 12 months of payroll costs. This excludes interest on loans. For information on how to calculate payroll costs, see here.</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 requirements, the loan will be forgiven for certain expenses that are used for the business in place as of February 15, 2020 for utilities. The SBA has provided that the forgiven amount will be reduced by any other federal forgiveness.
Can loan forgiveness be reduced?	Not applicable.	Yes. The forgiveness amount must be used to maintain the same number of employees after you close on the loan by June 30, 2020 until June 30, 2020. The period chosen for forgiveness amount must be the same amount of wage and salary paid or more compared to the same period. Any reductions in the number of employees that occurred between February 15, 2020 and June 30, 2020 will not be included in the forgiveness amount if the reductions are reversed by June 30, 2020.
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 care costs, mortgage interest, rent, utilities, and other fixed business expenses prior to February 15, 2020.
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**.