

# 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 <a href="https://sba.gov/disaster">sba.gov/disaster</a>	Through an existing lender. Information can be found <a href="#">here</a> . It is recommended to check with your lender whether they are participating.
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 Congress can appropriate additional funding.
When can an applicant apply?	Now.	Now for small businesses and self-employed individuals. April 10 <sup>th</sup> for independent contractors and sole proprietors. All other regulated lenders must begin as soon as they are approved. Program proceeds on a first-come, first-served basis.

<b>Who is eligible?</b>	All businesses, cooperatives, nonprofits, ESOPs, sole proprietorships, independent contractors, and tribal business concerns with less than 500 employees.	Same, except veterans
<b>What fees are charged?</b>	Fees are waived.	Fees are waived.
<b>What is the maximum size of the loan?</b>	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.	The lesser of (i) \$10,000 per employee or (ii) payroll costs during the period of an EIDL between Feb 1, 2020 and June 30, 2020, whichever the applicant wants to receive.  Payroll costs are defined as wages, tips, payments for vacation, sick leave, insurance premiums, and payroll taxes. Amounts that are in excess of \$10,000 per employee are not included in payroll costs. This excludes interest on loans. For information on how to calculate payroll costs, see <a href="#">here</a> .
<b>What is the maximum term of the loan?</b>	Up to 30 years	2 years after loan forgiveness
<b>What is the maximum interest rate of the loan?</b>	3.75% for businesses; 2.75% for nonprofits	1.0%
<b>Will the loan be forgiven?</b>	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 payroll costs, rent, mortgage interest, and utilities that are used in place as of February 1, 2020.  The SBA has provided guidance on how much forgiven amount will be.

<b>Can loan forgiveness be reduced?</b>	Not applicable.	Yes. The forgiveness must maintain the same number of employees after you close on the loan from 2019 until June 30, 2020. The period chosen for forgiveness amount cannot be less than the amount of wage and benefit paid or more compared to the period before the loan. Any reductions in the number of employees that occurred between the loan closing and June 30, 2020 will not be included in the forgiveness amount. If reductions are reversed, the forgiveness amount will be recalculated.
<b>What can the loan proceeds be used for?</b>	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.
<b>When is the first loan payment due?</b>	One year after the closing of the loan. Interest accrues during the deferment period.	Six months after the end of the deferment period.
<b>Are personal guaranties or collateral required?</b>	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.
<b>Do I have to be turned down by other lenders to be eligible under this program?</b>	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**.