

Paycheck Protection Program Loan vs. Economic Injury Disaster Loan

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IMPORTANT INFORMATION BEFORE YOU BEGIN:

- Please note that the language in the CARES Act and Families First Coronavirus Response Act are sometimes unclear. A good faith effort has been made to translate and present it in an accessible format. In the end, the only interpretation that will matter is the opinion of your bank, the SBA (Small Business Administration), or the IRS.
- This document is geared toward small businesses (excluding healthcare) and self employed individuals.
- Does your business qualify as “small”? Find out on the SBA’s Size Standards page. The criteria vary wildly by industry. Not sure of your industry number? Look at your worker’s compensation policy.

	Paycheck Protection Program Loan (PPP)	Economic Injury Disaster Loan (EIDL)
Can I apply for both loans?	There’s some nuance here. You can’t apply for the both for the same reason, and your bank may say no if you have a pending EIDL application. ¹ If you already have an EIDL from before the PPP loans became available, then you can refinance it into your PPP. ²	Technically if you use the EIDL loan for a different (allowed) purpose, not covered by the PPP loan, then you should be allowed to apply for both types of loans. See foot notes.
How much money can I apply to borrow?	2.5x your average monthly payroll from 2019. So if your average payroll last year was \$10,000 a month, you can apply for \$25,000. If you have an existing EIDL loan that you are refinancing under PPP, then your total PPP loan would be for 2.5x average monthly payroll plus the amount of the EIDL loan.	Originally this was meant to have a \$10,000 advance with a loan up to \$2M. Due to high demand it has come down to \$15,000 per loan and a \$1,000 advance per employee, up to 10. That advance does not have to be paid back, but if you have a PPP loan, then it is subtracted from the forgivable amount of the PPP.
When can I apply?	As of this update the program has run out of money, but there is reason to hope that congress will replenish it.	Applications are currently being accepted at sba.gov.
Who issues these loans?	1,800 banks are participating. Contact the bank you normally use.	The Small Business Administration (SBA)
Who can apply?	Small businesses, independent contractors, and sole proprietors who can demonstrate an economic injury from COVID-19.	Small businesses, independent contractors, sole proprietors, and a number of other types of entities that can demonstrate an economic injury that is substantial, and resulting directly from COVID-19.
What can my business use the money for?	There is an 8 week window in which you will be expected to use the funds for: <ul style="list-style-type: none"> • Payroll³ See footnotes for what payroll is and is not • Employee health insurance • Rent • Mortgage interest • Utilities • Interest on debt obligations incurred prior to 2/15/20. 	“These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can’t be paid because of the disaster’s impact.” ⁵
Can this loan be forgiven?	Yes, if you spend the money on approved uses as listed above during the 8 week period after you receive the loan. If you reduce your staff during this time, then the forgiveness amount will be reduced accordingly.	No. Although it is a good idea to document your spending thoroughly in case forgiveness becomes available later.
Qualification	Your bank decides if you qualify or not, but the following are required. <ul style="list-style-type: none"> • You agree to use the funds for payroll, rent, mortgage payments, or utilities. • You certify that the “uncertainty of current economic conditions makes necessary the loan request.” • You have fewer than 500 employees. • Your business was in operation on 2/15/20 and had employees for whom you paid salaries and payroll taxes or paid independent contractors on a 1099-MISC 	The SBA decides if you qualify, in part based upon the degree of economic injury sustained.
Is there a fee?	No	No

¹ Regarding qualification to apply for a PPP loan if you are also applying for an EIDL loan, the CARES Act states in Sec. 1102 (G), “that the eligible recipient does not have an application pending for a loan under this sub-section for the same purpose and duplicative of amounts applied for or received under a covered loan;”

² Sec. 1102 (Q), “DUPLICATION.—Nothing in this paragraph shall prohibit a recipient of an economic injury disaster loan made under subsection (b)(2) during the period beginning on January 31, 2020 and ending on the date on which covered loans are made available that is for a purpose other than paying payroll costs and other obligations described in subparagraph (F) from receiving assistance under this paragraph.”

³ Payroll being defined as: salary, wage, commission, replacement of tips, PTO (unless that PTO is being reimbursed through payroll taxes), health insurance, state or local payroll tax, or self-employment income.

⁴ Payroll DOES NOT include: compensation in excess of an annual salary of \$100,000 per year prorated for the covered period (\$16,666 per 8 weeks max), payments to employees outside of the United States, federal payroll taxes, qualified sick or family leave wages that are covered under the Families First Coronavirus Response Act.

⁵ <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>

Terms	1% over 2 years on the unforgiven portion.	3.75% for 30 years is typical.
How do I apply for forgiveness?	Keep documentation of payroll and any other payments made with these funds as per the list of acceptable uses above.	Not applicable at this time. However, there has been some speculation that these loans may be forgiven in the future. Keep detailed records of how you spent the money so that you have a chance of eligibility if that ever happens.
Is collateral or a personal guarantee required?	No	No. For a COVID-19 EIDL loan, there is no personal guarantee or collateral required.
Can this loan be deferred?	PPP loans are automatically deferred (principal, interest, and fees) for at least 6 months, and can in some cases be deferred up to a year. Your bank will decide if you qualify for any additional deferral after the 6 month period.	Yes, up to one year. Interest accrues during the deferment period.
Is there a prepayment penalty?	No	No

The information provided is geared toward small business owners. As a result, some complexities are not presented. If there is more information on a particular topic that could be relevant to a small business owner, but did not fit into the scope of the document, it is noted as such.

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