

Comparison of EIDL and Payroll Protection Programs

March 29, 2020



On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the economic effects of the COVID-19 virus. Key components in the CARES Act with respect to the SBA Economic Injury Disaster Loan program (EIDL) include i) expanded eligibility to include private nonprofit organizations and small agricultural cooperatives, ii) waiver of personal guarantees on loans under \$200,000, iii) waiver of the “unable to obtain credit elsewhere” provisions and iv) provides businesses with immediate funding of \$10,000 upon application once eligibility has been verified. In addition to the EIDL expansion, under the SBA’s section 7(a) lending program, the CARES Act includes the Paycheck Protection Program (PPP) which offers loans of up to \$10 million for businesses to maintain payroll and related benefits, interest on mortgages and other debts, leases and utility payments.

Below is a comparison summary of key provisions of the EIDL program and PPP. The PPP and the EIDL program can be used in conjunction with each other as long as the loans are not used to fund the same costs. Information below is subject to change and there may be time delays for lenders to begin processing applications.

	Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP Section 7(a))
Administrator	SBA (link)	SBA Approved Financial Institutions
Amount of Loan	Up to \$2 million	Lesser of \$10 million or 2.5 times average monthly payroll costs incurred during the 12 month period prior to the loan date. Calculations for seasonal and new business can vary
Interest Rate	For- Profit 3.75% Non-Profit 2.75%	4% or less

Term/ Maturity	Up to 30 years	Up to 10 years
Deferral	12 months (interest accrues during deferment)	6 to 12 months (interest accrues during deferment)
Prepayment	Prepayment is eligible	
Eligibility	<p>Small businesses in all U.S. States and territories, including sole proprietors or independent contractors</p> <p>Private nonprofit organizations</p> <p>Small agricultural cooperatives</p> <p>Tribal small business concerns</p> <p>ESOP's</p> <p>Fewer than 500 employees*</p>	<p>Small businesses in all U.S. States and territories, including sole proprietors, independent contractors and eligible self-employed individuals</p> <p>501 (c)(3) nonprofit organizations</p> <p>501 (c)(19) veterans organizations</p> <p>Tribal small business concerns</p> <p>Fewer than 500 employees in most instances, more in certain industries</p>
Usage	Fixed Debts, payroll and related benefits**, accounts payable and other expenses that cannot be paid because of the disaster's impact	<p>Payroll and related benefits**</p> <p>Interest on mortgage payments or other debts, rents and utilities</p>
Cannot be used for	Refinancing of debt, payment of other SBA loans or lenders, tax penalties, civil fines, repairs of property or other physical damage, pay dividends or distributions to owners or partners	<p>Limited to uses noted above</p> <p>(EIDL may be eligible to be refinanced into a PPP loan)</p>
Collateral	If available, collateral will be taken on loans greater than \$25,000	No collateral from business or its owners

Loan forgiveness and grant eligibility	<p>Emergency grant up to \$10k</p> <p>(EIDL may be eligible to be refinanced into a PPP loan)</p>	<p>Eligibility is based on specific requirements</p> <p>Forgiveness*** available on a portion of the loan proceeds if employers retain employees during specified period</p>
Guarantees	<p>Waives requirement of personal guarantees on loans less than \$200k</p>	<p>None</p>
Can I Apply Now?	<p>Application process and loans are available now (link).</p>	<p>Participating institutions are preparing to accept applications, but applications cannot be processed until SBA provides regulations.</p>

* Alternate size standards apply to the EIDL program and may include a higher maximum number of employees, a maximum revenue threshold, or a maximum net worth threshold as determined by industry (NAICS code). Affiliated entities are included for most industries except franchisees and NAICS code 72, Accommodation and Food Services, in the Payment Protection Program.

**Excludes salaries in excess of \$100k or qualified sick and family leave covered under sections 7001 and 7003 of the Families First Coronavirus Response Act are excluded from payroll

***Forgiveness amount determined considering factors such as full-time-equivalents and payroll rate reductions compared to a defined pre-COVID-19 impacted benchmark period. Forgiveness is non-taxable

How we can help

A team of CLA industry leaders are interpreting the Coronavirus Aid, Relief, and Economic Security (CARES) Act and will continually publish content to help explain what this means for you, and what steps you can take moving forward.

CLA Covid-19 Resource Center