

SUMMARY OF SBA LOAN PROGRAMS UNDER THE CARES ACT

Last Updated March 30, 2020

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) makes important changes to the Small Business Administration (SBA) Economic Impact Disaster Loan (EIDL) program and creates the Paycheck Protection Program (PPP). Both programs provide potential financing options for small businesses impacted by the COVID-19 emergency.

The chart below highlights key differences between the two loan programs. Williams Mullen alerts published Friday, March 27, 2020, describe the [EIDL](#) and [PPP](#) programs in greater detail. SBA implementing regulations, which are required to be issued within 15 days of the CARES Act becoming law, are expected to provide further details regarding both programs.

		Economic Injury Disaster Loans (EIDLs)	Paycheck Protection Program (PPP)
PROGRAM DETAILS AND ELIGIBILITY	Appropriation	> \$10 billion	> \$349 billion
	Bank Involvement	> None (SBA direct loans)	> Yes
	Application Process	<ul style="list-style-type: none"> > Online applications preferred > Paper applications also accepted > Applications must be submitted by December 31, 2020 	> Forthcoming regulations promulgated by the SBA will provide further guidance
	General Eligibility	<ul style="list-style-type: none"> > Small businesses and private nonprofits meeting SBA's size standards > Expanded eligibility includes: <ul style="list-style-type: none"> • businesses, cooperatives, employee stock ownership plans, or tribal businesses with no more than 500 employees; and • sole proprietorships (with or without employees) and independent contractors > Approval based upon credit score; submission of tax return is not required > Affiliation rules remain applicable 	<ul style="list-style-type: none"> > Small businesses meeting SBA's size standards > Expanded eligibility includes: <ul style="list-style-type: none"> • businesses, 501(c)(3) nonprofits, 501(c)(19) veteran's organizations, or tribal businesses with no more than 500 employees > Accommodation (hotel and RV park) and food service businesses with multiple locations are eligible if no more than 500 employees per location; these entities are not subject to current SBA affiliation rules
	Credit Available Elsewhere	Applicants with "Credit Available Elsewhere" are eligible	

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LOAN TERMS	Loan Amount	<ul style="list-style-type: none"> > \$2 million max loan amount (includes all loans for any one disaster event, including those to affiliates; insurance proceeds or other funds available to alleviate loss also counted) > Limit may be waived if applicant is a Major Source of Employment 	<ul style="list-style-type: none"> > Max loan amount is the lesser of: <ul style="list-style-type: none"> • average total monthly payroll costs for prior year multiplied by factor of 2.5 plus EIDL proceeds received, and • \$10 million
	Emergency Grant	<ul style="list-style-type: none"> > Up to \$10,000 paid within 3 days of application > Applicant is eligible to receive grant upon self-certification under penalty of perjury that it is an eligible business > Not required to repay grant even if application ultimately denied > Grant may be used for any allowable purpose under the EIDL program including providing paid sick leave, maintaining payroll, meeting increased costs due to interrupted supply chains, paying rent or mortgage payments, and meeting obligations that cannot be met due to revenue losses 	<ul style="list-style-type: none"> > N/A
	Term	<ul style="list-style-type: none"> > Generally, 15-year term; 30-year max 	<ul style="list-style-type: none"> > 10-year max
	Rate	<ul style="list-style-type: none"> > Fixed > Current rate quoted in VA and NC is 3.75% for business loans and 2.75% for nonprofits 	<ul style="list-style-type: none"> > Fixed or variable > 4% max interest rate
	Use of Proceeds	<ul style="list-style-type: none"> > Working capital, notes payable, and accounts payable 	<ul style="list-style-type: none"> > Payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt
	Collateral	<ul style="list-style-type: none"> > Required for loans over \$25,000 	<ul style="list-style-type: none"> > Not required during covered period (February 15, 2020 – June 30, 2020)
	Personal Guaranty	<ul style="list-style-type: none"> > Not required for advances and loans up to \$200,000 	<ul style="list-style-type: none"> > Not required during covered period (February 15, 2020 – June 30, 2020)
	Payment Deferral	<ul style="list-style-type: none"> > N/A 	<ul style="list-style-type: none"> > Minimum 6 months payment deferral, up to 1 year

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	Loan Forgiveness	> N/A	<ul style="list-style-type: none"> > Payroll costs and mortgage, rent, and utility payments made during the first 8 weeks of the loan will be forgiven > Forgiveness amounts will be subject to reduction based upon employment figures > May not exceed principal amount of loan > Amounts forgiven will be treated as “cancelled indebtedness” but will not be taxed as gross income
	Lender Issues	> N/A	<ul style="list-style-type: none"> > 100% SBA participation (versus 75%/85% guarantees under typical 7(a) loan) > Reimbursement will be based upon loan amount <ul style="list-style-type: none"> • 5% of loan amounts up to \$350,000 • 3% of loan amounts between \$350,000 and \$2 million • 1% of loan amounts over \$2 million > Express Loan max amounts are increased from \$350,000 to \$1 million > Forgiveness <ul style="list-style-type: none"> • Treated similar to SBA purchases under guarantee program • Lenders have 60 days to confirm following borrower request • Lenders held harmless for all forgiveness decision making

Please note: This alert contains general, condensed summaries of actual legal matters, statutes and opinions for information purposes. It is not meant to be and should not be construed as legal advice. Readers with particular needs on specific issues should retain the services of competent counsel.