



# CORONAVIRUS EMERGENCY LOANS

## COMPARING **ECONOMIC INJURY DISASTER LOANS** AND THE **PAYCHECK PROTECTION PROGRAM**

These uncertain times are as advertised – uncertain.

This is especially the case for small businesses. One thing is for certain, High Five Media is prepared to help. We want to offer some information and clarity to some of the confusion that is out there in regard to federal funding during this crisis. High Five Media has been in contact and performed research with the Small Business Administration (SBA), OK Department of Commerce and many financial institutions to come up with a side by side comparison of the two loans – Emergency Injury Disaster Loans (EIDL) and Paycheck Protection Program (PPP) (Cares Act).

The process of application is easy. The local SBA representative is encouraging every business to apply for both loans as soon as possible.

This document is informational only and should be treated as such and is subject to change. We suggest you speak with your bank or financial advisor for more information as it becomes available.

**Please refer to [www.highfivemedia.com/sbaloinfo](http://www.highfivemedia.com/sbaloinfo) for the most up-to-date information.**

## ECONOMIC INJURY DISASTER LOAN (EIDL)

### WHO IS THE LENDER?

Federal Government through Small Business Administration (SBA)

### WHO IS ELIGIBLE?

- Small businesses with fewer than 500 employees
- Agricultural cooperatives
- Aquaculture businesses

## PAYCHECK PROTECTION PROGRAM

### WHO IS THE LENDER?

- All federally insured depository institutions (banks)
- Federally insured credit unions
- Farm Credit System institutions

### WHO IS ELIGIBLE?

- Small businesses with fewer than 500 employees
- 501c3 with fewer than 500 employees
- An individual who operates as sole proprietor, independent contractor or self-employed
- Tribal business concern that meets SBA size standard
- 5019(c)(19) Veteran's Organization
- Food sector: the 500 employee rule is applied on a per physical location basis
- Reminder: the 500 employee threshold includes all employees: full-time, part-time and other status.

## ECONOMIC INJURY DISASTER LOAN (EIDL)

### WHO IS INELIGIBLE?

- Agricultural enterprises
- Religious organizations
- Charitable organizations
- Gambling
- Casinos/racetracks
- Marijuana-related businesses

## PAYCHECK PROTECTION PROGRAM

### WHO IS INELIGIBLE?

- Businesses Engaged in Lending
- Passive Businesses
- Life Insurance Companies
- Business Located in a Foreign Country or Owned by Undocumented (Illegal) Aliens
- Businesses Selling Through a Pyramid Plan
- Businesses Engaged in Legal Gambling Activities
- Businesses Engaged in any Federally Illegal Activity, i.e. marijuana
- Businesses Which Restrict Patronage
- Government-Owned Entities, Excluding Native American Tribes
- Businesses Engaged in Promoting Religion except for the exception carved out in the eligible businesses above
- Businesses with an Associate of Poor Character
- Businesses providing prurient sexual material
- If principal or business had a prior Loss to the Government and/or Delinquent Federal Debt, they are not eligible
- Businesses primarily engaged in political or lobbying activities
- Speculative Businesses
- Business must be owned 51% by U.S. citizen or Lawful permanent resident

## ECONOMIC INJURY DISASTER LOAN (EIDL)

### CRITERIA FOR LOAN APPROVAL

- Credit history
- Ability for repayment
- Located in affected State

## PAYCHECK PROTECTION PROGRAM

### CRITERIA FOR LOAN APPROVAL

That the business was in operation before February 15, 2020, and had employees for whom they paid salaries and payroll taxes or paid independent contractors

*Lenders will also ask for good faith that:*

- The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
- The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease and utility payments
- Borrower does not have an application pending for a loan duplicative of the purpose and amount applied for here
- From Feb. 15, 2020, to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied from here.

*\*If you are an independent contractor, sole proprietor or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MICS and income and expenses from sole proprietorship*

## ECONOMIC INJURY DISASTER LOAN (EIDL)

### HOW MUCH CAN BE BORROWED?

Eligible entities up to \$2 million

- Phase 1- half of last year's GROSS profit up to \$500,000
- Phase 2 - more involved calculation

Borrowed amount will be settled after application process.

### INTEREST RATE

3.75% for small businesses

### TERM

30 year (Full P&I deferral for 1st year)

### ELIGIBILITY FOR THESE WORKING CAPITAL LOANS ARE BASED ON:

- Size and type of business (must be small business)
- Business' financial resources

### WILL THIS LOAN BE FORGIVEN?

There is no information that states that this loan will be forgiven.

## PAYCHECK PROTECTION PROGRAM

### HOW MUCH CAN BE BORROWED?

2.5x the borrower's average monthly payroll costs, not to exceed \$10 million

### INTEREST RATE

0.5% fixed rate

### TERM

2 Years

### ELIGIBILITY FOR THESE WORKING CAPITAL LOANS ARE BASED ON:

We suggest you speak with your bank or financial advisor for more information.

### WILL THIS LOAN BE FORGIVEN?

Borrowers are eligible to have their loans forgiven as long as the loan proceeds are used to cover payroll costs, and as long as most mortgage interest, rent and utility costs over the eight-week period after the loan is made and employee and compensation levels are maintained.

## ECONOMIC INJURY DISASTER LOAN (EIDL)

### HOW CAN FUNDS BE USED?

To pay fixed debts, payroll, accounts payable and other bills that could have been paid had the disaster not occurred. Can pay off interim loans made while waiting on EIDL Funding.

## PAYCHECK PROTECTION PROGRAM

### HOW MUCH WILL BE FORGIVEN?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the eight-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone or Internet)
- For borrowers with tipped employees, additional wages paid to those employees

**The loan forgiveness cannot exceed the principal.**

**Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.**

## ECONOMIC INJURY DISASTER LOAN (EIDL)

### NON-ELIGIBLE USES OF FUNDS:

- Dividends
- Shareholder note payments
- Fixed asset purchases or repairs to physical facilities
- Long-term debt refinance
- Personal expenses
- Pay direct federal debt

**Not intended to replace lost sales/profits or for expansion. Required to maintain ALL receipts for three years in case of audit.**

### WHEN CAN YOU START APPLYING?

You can start applying at this time through the Small Business Association website.

**Apply online [www.sba.gov/disaster](http://www.sba.gov/disaster)  
(Direct to SBA - NO BANK INVOLVEMENT)**

### HOW LONG IS THE LOAN AVAILABLE?

Dec. 31, 2020

## PAYCHECK PROTECTION PROGRAM

### HOW COULD THE FORGIVENESS BE REDUCED?

The amount of the loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.

### WHEN CAN YOU START APPLYING?

- April 3 - Small businesses and sole proprietorships
- April 10 - Independent contractors and self-employed individuals.

### HOW LONG IS THE LOAN AVAILABLE?

Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding cap, and lenders need time to process your loan.

## ECONOMIC INJURY DISASTER LOAN (EIDL)

### THINGS YOU WILL NEED TO HAVE IN ORDER TO APPLY:

- Complete loan application
- EIDL supporting info
- Tax Information Authorization (IRS Form 4560T)
- Most recent federal income tax return
- Schedule of liabilities (SBA Form 2202)
- Personal financial statement (SBA Form 413)

## PAYCHECK PROTECTION PROGRAM

### THINGS YOU WILL NEED TO HAVE IN ORDER TO APPLY:

While we suggest you speak to your bank or financial advisor for more information, here is a list of recommended items:

- 2019 IRS quarterly 941s (or their equivalent) if a new business as of 2019
- IRS form 1096 and/or 1099-MISC for independent contractors
- Documentation of health insurance premiums paid under a group health plan for all employees and company owners
- Corporate documents including articles of incorporation/organization and Bylaws or Operating agreement
- Application Form 2483 – all individuals who own 20% or more will need to complete
- Along with the attachment outlining all affiliates, they need to include employee numbers for all affiliates
- Modified beneficial owner form
- 2019 tax return; or 2019 P&L and balance sheet and 2018 tax return

## ECONOMIC INJURY DISASTER LOAN (EIDL)

APPLY AT:

### **SBA Disaster Office**

[www.sba.gov/disaster](http://www.sba.gov/disaster)

Phone: 1-800-659-2955

Email: [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)

### **Oklahoma District Office**

[www.sba.gov/ok](http://www.sba.gov/ok)

Phone: 1-405-609-8000

Email: [oklahoma\\_do@sba.gov](mailto:oklahoma_do@sba.gov)

Questions? Send email to:

[oksbaquestions@okcommerce.gov](mailto:oksbaquestions@okcommerce.gov)

*Update March 31, 2020:*

### **\$10,000 ADVANCE on an Economic Injury Disaster Loan (EIDL).**

This may be available even if your EIDL application was declined or is still pending and will be forgiven. In order to qualify for the advance, you need to submit this new application even if you previously submitted an EIDL application. Applying for the advance will not impact the status or slow your existing application.

**Visit [sba.org/disaster](http://sba.org/disaster)**

## PAYCHECK PROTECTION PROGRAM

APPLY AT:

Apply at any SBA lender. Contact your local bank or credit union to see their eligibility.