

Small Business Loan Summaries

Paycheck Protection Program

Loan: \$349 billion

The Paycheck Protection Program (PPP) allows the Small Business Administration (SBA) to back loans to small businesses suffering economic losses due to the COVID-19 pandemic through their local lenders. According to the SBA, the organization currently works with more than 1,800 lenders—including participating SBA 7(a) lenders, federally insured depository institutions, federally insured credit unions and Farm Credit System institutions—and plan to expand that number given the anticipated demand. [Find lender near you](#). The program will be available through June 30, 2020, and banks can begin processing applications on April 3, 2020. Individuals can now download the [borrower application](#) and [lender application](#) forms. The PPP loans:

- Are offered to small businesses with fewer than 500 employees, select types of business with fewer than 1,500 employees, 501(c)(3) nonprofits with fewer than 500 workers and some 501(C)(19) veteran organizations. They must be in operation before Feb. 15, 2020.
- Are available to self-employed, sole proprietors, freelance and gig economy workers. They must be in operation before Feb. 15, 2020.
- Are given up to a maximum of the lesser of \$10 million, or 2.5 times the average monthly payroll costs—including wages for employees making under \$100,000, as well as expenses for paid sick leave, health care and other benefits—during the one-year period before the date on which the loan was made.
- 75% of the loan must be used for payroll costs.
- Have a 1% fixed interest rate.
- Have a loan term of two years.

- Do not require a personal guarantee or collateral for the loan.
- Defers payments for six months, but interest will continue to accrue over this period.
- This loan may be forgiven and not counted as income to the person or business, if it's spent during the first eight weeks on operating expenses.
- To underwrite PPP loans, lenders will need to verify that the borrower was in operation on Feb. 15, 2020, and that it had employees for whom it paid salaries and payroll taxes. The lender will also have to verify the dollar amount of average payroll costs. The SBA will not review loan applications, according to a senior administration official, but lenders will receive an SBA loan number and verify that the applicant has not already received a PPP loan.
- The SBA will pay the lender a processing fee calculated on the loan balance, ranging from 1% for loans of over \$2 million to 5% for loans of \$350,000 or less. PPP loans may be sold in the secondary market, and the SBA will not collect fees for guarantees sold. The guidance includes fee caps for agents assisting with loan applications.

Loans are forgiven when the proceeds are used for any of the following costs:

- Payroll costs, excluding prorated amounts for individuals with compensation greater than \$100,000.
- Rent on a lease in force before Feb. 15, 2020.
- Electricity, gas, water, transportation, telephone or internet access expenses for services which began before Feb. 15, 2020.
- Group health insurance premiums and other health care costs.

- In order for the amounts to be forgiven, the applicant must maintain the same average number of employees for the first eight-week period beginning on the origination date of the loan as they did from Feb. 15, 2019 to June 30, 2019 or from Jan. 1, 2020 until Feb. 15, 2020.
 - If they don't meet this requirement, the amount forgiven is reduced. They will incur additional reductions if they cut compensation for employees who make under \$100,000 by more than 25%, as compared to the most recent quarter.
- An applicant won't be penalized for a reduction in employment or wages during the period from Feb. 15, 2020 to April 26, 2020, if they rehire employees that had been previously laid off or restore any decreases in wages or salaries.

Applicants will apply for the Paycheck Protection Loan directly through their local lending institution and will need payroll documentation.

Small businesses and sole proprietorships—generally, those with 500 or fewer employees—may [apply for PPP loans](#) starting Friday, April 3. Independent contractors and self-employed workers can apply starting April 10.

Economic Injury Disaster Loans (EIDLs): \$10 billion

Economic Injury Disaster Loans (EIDL) are a longstanding form of disaster assistance provided through the SBA. Economic Injury Declarations have now been approved for every state and territory in the country, which allows all U.S. businesses to apply for them. The CARES Act creates the new EIDL Emergency Advance and Express Bridge Loans. EIDL applicants are automatically considered for up to \$10,000 in grants as an advance to their loan. Advance funds will be made available within days of a successful application, and this loan advance will not have to be repaid. EIDL applicants can now [apply online](#). Finally, small businesses who currently have a business relationship with an SBA Express Lender are eligible for up to \$25,000 in more immediate loans via a participating lender while they await EIDL application approval. For details, see the [Express Bridge Program Guide](#). Details for EIDL loans include:

- Loans are up to \$2 million.
- Interest Rates are 3.75% for small business and (2.75% for nonprofits).
- The first month's payments are deferred a full year from the date of the promissory note.

The EIDLs expanded provisions include:

- EIDLs can be approved by the SBA based solely on an applicant's credit score (not repayment ability and no tax return is required). A prior bankruptcy doesn't disqualify an applicant.

- EIDLs smaller than \$200,000 can be approved without a personal guarantee. They are also not requiring real estate as collateral and will take a general security interest in business property.

EIDL EMERGENCY ADVANCE

- EIDL applicants are automatically considered for up to \$10,000 in grants as an advance. Advance funds will be made available within days of a successful application, and this loan advance will not have to be repaid.
 - EIDL applicants who submitted applications prior to CARES Act implementation will also be considered for this grant, retroactively.
 - Applicants can receive the \$10,000 emergency cash even if they don't qualify for additional funds—in other words, an applicant could receive the emergency grant even if they don't receive an EIDL itself.
 - The CARES Act also waives the requirement that a person be unable to obtain credit from a different lender—applicants can apply even if they already have a credit line.
- It expands access to sole proprietors or independent contractors, as well as tribal businesses, cooperatives and ESOPs with fewer than 500 employees and as well as most nonprofits.
- Applicants can apply for these loans directly through the SBA website, and there are no fees to apply. The online application is now up and running.
- No loan forgiveness.
- Applicants must have been in business on Jan. 31, 2020, in order to be eligible.

SBA EXPRESS DISASTER BRIDGE LOAN

- The Express Bridge Loan Pilot Program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly.
- These loans can provide economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan.
- Small businesses who have an urgent need for cash while waiting for decision and disbursement on an Economic Injury Disaster Loan may qualify.
- The Disaster Bridge Loan will be repaid in full or in part by proceeds from the EIDL loan.

Applicants can apply for both types of loans, as long as they cover different expenses.

Cannabis businesses will not qualify for any small business assistance loans as cannabis is still illegal at the federal level.

SBA Debt Relief

As part of the SBA's debt relief efforts:

- The SBA will automatically pay the principal, interest and fees of current 7(a), 504, and microloans for a period of six months.
- The SBA will also automatically pay the principal, interest and fees of new 7(a), 504, and microloans issued prior to Sept. 27, 2020.

You can find more information on these debt relief efforts [here](#).

NCSL Contacts

For additional information, contact NCSL staff:

Tres York | 202-322-2111

Lucia Bragg | 202-624-3576

Additional Resources

Small Business Administration Page

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>

Paycheck Protection Program Application Form

<https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

Automatic Deferment on Existing SBA Disaster Loans Through 2020

<https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/carranza-implements-automatic-deferment-existing-sba-disaster-loans-through-end-2020>



Tim Storey, Executive Director

7700 East First Place, Denver, Colorado 80230, 303-364-7700 | 444 North Capitol Street, N.W., Suite 515, Washington, D.C. 20001, 202-624-5400

www.ncsl.org