

SBA rolling out significant financial assistance with EIDL and PPP

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Vermont Business Magazine The Small Business Administration is rolling out two financing programs to help small businesses. The Paycheck Protection Program and the Economic Injury Disaster Loans (EIDL). The EIDL is already available for businesses and includes an immediate grant of \$10,000 that is available to all businesses, including sole proprietors, in as soon as three days after applying. For the Paycheck Protection Program (PP), some businesses will be able to apply as early as the end of this week. They would contact any existing SBA participating lender first to see if they are going to be participating in this program.

The lenders do not yet have detailed information and instructions to guide them, although some of the information coming out can give them a good idea. The Vermont SBA office said they are hoping the detailed information they will need will be coming out within a day or two.

The EIDL is a direct loan from SBA available now and you apply at www.sba.gov/disaster. Visit SBA.gov/Coronavirus for more information on the Paycheck Protection Program.

Some of the specific PPP parameters in terms of how it will work have been explained. The purpose of the loan is to provide an incentive for small businesses to keep their workers on the payroll. The loan amount will be based on 2.5 months of a business's payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. It will be available through June 30.

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months.

The amount of the forgiveness will be based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. After the forgiveness, if a balance remains it will be termed out for the remainder of a 2 year period at an interest rate of .5%. No collateral or personal guarantees are required.

Q&A with Darcy Carter, SBA District Director, Vermont District Office

U.S. Small Business Administration

Q: My understanding is that small biz should apply for the PPP and they have to do that through a local lender and there is also has the forgiveness factor if you meet the conditions.

Carter: The business can apply to not just banks and credit unions for the PPP loan but many other types of lenders will also be able to apply to make PPP loans. In addition, VEDA and our microlenders will be able to as they participate with SBA already on other programs. The lenders are waiting for the implementing rules from SBA to come out so they know how to process the loans. It is a completely new loan program. We expect these rules by later this week.

The EIDL may or may not have a forgiveness factor but assume it does not.

The EIDL is a direct loan from SBA available now and you apply at www.sba.gov/disaster. As part of the application for an EIDL, it will ask you if you want to request an advance of up to \$10,000 (available as soon as three days after filing). What we have seen so far in the congressional guide is that this advance will be forgiven or a grant. You have to apply for the EIDL loan in order to access the advance.

But still prepare the documentation. It looks similar to a residential mortgage, so a pretty good rate. EIDL rate is 3.75% fixed for up to 30 years, up to \$2 million for small businesses and 2.75% for nonprofits. SBA Office of Disaster Assistance will determine your loan amount. The aim is to provide about 6 months of operating expenses. Most loans up to \$200,000 will not require a guarantee.

Q: However, you can only get one of the PPP or EIDL, so why even bother with the EIDL?

Carter: You can get both loans and we recommend that businesses consider each program to see what are their best options. They are very different, and each business needs to consider their own situation in terms of payroll, and any other obligations they have that are necessary. Some obligations may be eligible under the EIDL, but not under the PPP. You want to be sure if you want the payroll and related expenses covered by the PPP loan to be forgiven, then do not use the EIDL loan for that same period of payroll. The EIDL loan approval determination is made by SBA Office of Disaster Assistance. The PPP loan is made by banks et al and they will be underwriting the loans for approval. There is potential for more loan forgiveness in the PPP loan and the loans can be for up to \$10 million. The PPP loans do not require personal guarantees of the owners or collateral.

Q: Should people apply and then turn it down if they get the PPP? The documentation says you can't get both "for the same purpose," but can you split it and say one is for payroll and the other is for other expenses (other loans, mortgages, payables, etc)? Yes you can get both and have different use of proceeds although it has to be used for the approved purpose. There is no fee to apply for either loan and you can turn the loan down if you decide it's not what you want. The EIDL has an application deadline of December 21, 2020. The PPP loan deadline currently is set at June 30, 2020 which is soon and that is why we strongly suggest businesses look into applying for the PPP loan.

Carter: Also what is the timing of these things, which has been a big question? Under previous disasters, the turnaround time for a credit decision is 2-3 weeks for EIDLs. There currently is high volume and the agency has expanded its capacity to process the surge. One bank we talked to also is wondering that. For banks that already participate with SBA, once the rules come out, and they have a chance to familiarize themselves, they can do the loans right away provided they have the information they need from the business. If the lender is not currently an SBA participant there will be another process for them to submit the loans and we will know more about that when it is announced shortly.

Q: When does the application process begin?

Carter: EIDL is available for applications now. For PPP we expect once the rules come out, the SBA lenders will be able to accept applications. The non-SBA lenders will apply to participate through a program the Treasury establishes.

Q: As you know, receivables are piling up and therefore payables also will start piling up and payrolls have to be met maybe every week.

Carter: SBA will also be providing deferments for businesses that have an SBA guaranteed loan, a disaster loan, or an SBA microloan or a new SBA guaranteed loan. In addition the EIDL has an automatic 11-month upfront deferment of payments and the PPP loan has upfront deferment of 6-12 months to provide maximum relief before the recovering business has to make payments.

Q: Finally is the Emergency grant. How does that work who is that for can a business trying to make payroll get it by Friday and does it disqualify you from the other programs?

Carter: As mentioned about the "grant" is part of the EIDL application – you request it when you apply. If you get \$10,000 under EIDL and you get a PPP loan as well and seek the allowed forgiveness for payroll expenses, the \$10,000 would be deducted from the amount forgiven in the PPP.

The SBA programs include:

- Paycheck Protection Program (PPP)* up to \$10 million
- SBA Economic Injury Disaster Loan (EIDL) up to \$2 million, with the EIDL Emergency Grants of up to \$10,000.

FROM THE US SBA:

The Paycheck Protection Program is specifically designed to help small businesses keep their workforce employed. Visit [SBA.gov/Coronavirus](https://www.sba.gov/coronavirus) for more information on the Paycheck Protection Program.

- The new loan program will be available retroactive from Feb. 15, 2020, so employers can rehire their recently laid-off employees through June 30, 2020.

Loan Terms & Conditions

- Eligible businesses: All businesses, including non-profits, Veterans organizations, Tribal concerns, sole proprietorships, self-employed individuals, and independent contractors, with 500 or fewer employees, or no greater than the number of employees set by the SBA as the size standard for certain industries
- Maximum loan amount up to \$10 million
- Loan forgiveness if proceeds used for payroll costs and other designated business operating expenses in the 8 weeks following the date of loan origination (due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs)
- All loans under this program will have the following identical features:
 - Interest rate of 0.5%
 - Maturity of 2 years
 - First payment deferred for six months
 - 100% guarantee by SBA
 - No collateral
 - No personal guarantees
 - No borrower or lender fees payable to SBA

SBA's announcement comes on the heels of a series of steps taken by the Agency since the President's Emergency Declaration to expeditiously provide capital to financially distressed businesses affected by the Coronavirus (COVID-19) pandemic. Since March 17, SBA has

taken the following steps:

- [Declared all states and territories eligible for Economic Injury Disaster Loan](#) assistance
- 1-year deferment on Economic Injury Disaster Loans provided due to COVID-19
- [Automatic deferment of previous disaster loans for homeowners and businesses through 2020](#)
- Waiver of garnishments through 2020

Visit [SBA.gov/Coronavirus](https://www.sba.gov/Coronavirus) for more information on SBA's assistance to small businesses.

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Contact VBM

Vermont Business Magazine
365 Dorset Street
South Burlington, Vermont 05403

Phone: 802.863.8038

Fax: 802.863.8069

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Inaugural Women in Cannabis Summit Comes to Burlington in April 2020, April 11

[Saturday, April 11, 2020 - 9:00am](#)

SCORE: Communicate Your Way to Profit – April 14

[Tuesday, April 14, 2020 - 5:30pm](#)

Technology Park to Host American Cancer Society's 2020 Relay for Life June 26

[Friday, June 26, 2020 - 6:00pm](#)

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