GEORGIA CHAMBER

COVID19 Resource Center

Overview of Emergency SBA Loans

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The Small Business Administration currently has two major loan programs in response to COVID-19. A business can apply for both the Economic Injury Disaster Loan program <u>and</u> Paycheck Protection Program <u>IF</u> there are different use of proceeds for each program. Funds from these loans cannot be comingled.

- **Emergency Injury Disaster Loan (EIDL)**
  - Eligibility: 500 employees or fewer.
  - Up to $2 million can be provided to help meet financial obligations and operating expenses that could have been met if the disaster did not occur, think of this as working capital.
  - Loans can be made based solely on credit scores.
  - Loans available to all non-profits, including 501(c)(6)s.
  - Loans below $200,000 can be approved without a personal guarantee.
  - Borrowers can receive $10,000 cash advances that are forgiven if spent on paid leave, maintaining payroll, increased costs due to supply chain disruption, mortgage or lease payments, or repaying obligations that cannot be met due to revenue losses.
  - The interest rate on EIDLs will not exceed 4 percent per year.
    - 3.75% interest rate for Small Businesses.
    - 2.75% interest rate for non profits.
    - First payment will be deferred and not become due until one year after the original disbursement. Interest does accrue doing this time.
    - The term of these loans will not exceed 30 years.
  - EIDL assistance is available only to small businesses when SBA determines they are unable to obtain credit elsewhere. <u>This does not include the ability to access a general line of credit. SBA will complete the thorough analysis to determine this based on the information provided by the applicant.</u>

<u>Click here to apply.</u>

- **Emergency Economic Injury Grants**
  - For those that apply for the Economic Injury Disaster Loan (EIDL), an advance of $10,000 will be provided to small businesses and nonprofits within three days of applying for the loan.
  - The EIDL grant does not need to be repaid, even if the grantee is subsequently denied an EIDL.
  - Funds can be used to provide paid sick leave to employees, maintaining payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.
  - Eligibility- Recipients must have been in operation on January 31, 2020 and is available to small businesses, private nonprofits, sole proprietors and independent contractors, tribal businesses, as well as cooperatives and employee-owned businesses.

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- **Small Business "Paycheck Protection Program"**
  - A new $349 billion lending program, modeled on existing SBA 7(a) program. The government guarantee of 7(a) loans would be increased to 100% through the end of 2020, at which point the guarantee would return to 75% for loans over $150,000 and 85% for loans less than or equal to $150,000. The complete deferment of 7(a) loan payments are permitted for up to one year. Loans will be administered through local and regional banks; any federally regulated bank may become an SBA lender for this purpose. The Department of the Treasury will issue regulations for these loans quickly.
  - There will be a 4% interest rate.
  - Eligibility:
    - Small businesses as defined by SBA size standards (generally up to 500 employees, but up to 1,500 employees depending on the sector and certain sectors are based on revenue.)
    - 501 (c)(3) non-profits with fewer than 500 employees.
    - Sole proprietors, the self-employed, and independent contractors.
  - Regulatory Streamlining:
    - SBA's standard "no credit elsewhere" test is waived.
    - No personal guarantee or collateral required.
    - Lenders defer fees, principal, and interest for no less than 6 months and no more than 1 year.
  - Maximum Loans: Up to $10 million. Payroll costs exclude compensation paid to individuals, including the self-employed, above $100,000 a year.
  - Requirements: The employer certifies loan will be used to retain workers, maintain payroll, make mortgage or lease payments, and pay utilities.
  - Loans can be forgiven up to the amount spent by the borrower during the 8 weeks from loan origination on payroll costs up to $100,000 in wages, mortgage interest, rent or utilities.
    - Forgiveness is reduced by layoffs or pay reductions in excess of 25%.
    - Forgiveness is not treated as taxable income.