

UPDATED: April 7, 2020

## Small Business Administration Loans

All of our understanding of the law and loans are based upon the current information available to us. If we receive additional information that changes any of the details below, we will do our best to correct that information.

### Economic Injury Disaster Loan (EIDL)

- The EIDL loan is fixed at 3.75% and amortized over 30 years. The first \$10,000 advance can be part of a federal grant and not required to be repaid. You can borrow up to \$2 million. There are no payments in the first 12 months of the loan.
- Loans over \$25,000 will require collateral.
- As of April 5, 2020, we have not heard from any of our clients who has received the grant or loan approval.
- The SBA approve the loan base on personal credit of the applicant. We have heard from some sources that loan amounts can be up to one half of the prior year's gross profit not to exceed \$500,000. If more is needed there is a detailed calculation that may allowed for a higher amount.
- When you apply for the loan, there is no line item that asks how much you want to borrow. After the SBA processes your credit report, they will send a letter stating that you have been approved for a certain amount. You may want to consult with us at that time to review your best options.

### SBA 7(a) Paycheck Protection Program (PPP) and Loan Forgiveness

- This new loan is part of CARES Act passed by Congress and signed by the President on March 27, 2020. Congress has set aside \$349 billion for this loan. Loans are available through June 30, 2020.
- SBA (a) loan is fixed at 1% interest rate and amortized over 2 years. You can borrow up to \$10 million loan. There is no personal guaranty or collateral required. The first 6 months of this loan will have no payments.
- A small business can apply and receive both SBA loan proceeds (EIDL, PPP).
- SBA 7(a) will have a loan forgiveness provision. It will have a separate application process after you have spent the qualified expenses. The details of loan forgiveness are as follows:
  - a. You will need to calculate average monthly payroll cost (use 2019 payroll costs). The payroll costs will include gross wages for staff and owner (including sole proprietor, and self-employed individuals with income capped at \$100,000), state assessed payroll taxes, health insurance, and qualified retirement funding.
  - b. Multiple that number by 2.5, that will be the amount of the stimulus money you will be receiving.
  - c. As long as you use this stimulus money **within 8 weeks** after the origination date of the loan on the following items: payroll costs (as defined in (a)), rent, utilities, and interest on mortgage, the stimulus amount will be forgiven.
  - d. The amount of loan forgiveness will be reduced if your business has reduced in the number of full-time employees, or, there is a reduction of greater than 25% in wages paid to employees.
  - e. If you received an advance/grant from EIDL, the advance/grant shall be reduced from loan forgiveness amount.
  - f. If you don't spend all your stimulus money in this time frame, then it needs to be paid back to the bank.