

## **Small Business Administration FAQ**

### **Information on the Economic Injury Disaster Loan (EIDL) and the Paycheck Protection Program (PPP)**

#### **1. Do I have to choose between EIDL or PPP?**

Select the loan program that best meets your individual business needs; however, you are not permitted to hold funds from both programs for the same purpose.

The PPP loan has different terms from the EIDL loan. The Paycheck Protection Program's maximum loan amount is \$10 million with a fixed 1% interest rate and maturity of two years.

Economic Injury Disaster Loan assistance provides up to \$2 million loan per business and are long-term, low-interest rate at 3.75% for businesses and 2.75% for non-profits and a maturity of up to 30 years

The application period for PPP loans runs through June 30, 2020, but the EIDL application period runs through December 2020. If you have working capital need beyond what is provided by PPP, you can apply for additional assistance through the EIDL program.

If you are applying for both, you can accept PPP first – then decide whether to close on your EIDL approved loan. An EIDL approved loan may be closed within 60 days, and the borrower can choose whether to close on the loan. The EIDL application period runs through Dec. 2020.

#### **2. Are EIDL and PPP commercial/business loans only?**

Yes. They are not personal/consumer loans.

#### **3. If I am applying for / received an Economic Injury Disaster Loan, is my small business eligible to participate in the Paycheck Protection Program?**

Borrowers can apply for both an SBA Economic Injury Disaster Loan and the Paycheck Protection Program loan. However, the Paycheck Protection Program loan funds and the Economic Injury Disaster Loan funds cannot be used for the same purpose. The Paycheck Protection Program loan must be used for payroll (minimum of 75% of the funds received) for it to be eligible for a forgivable loan and the remaining is used for different purposes. Borrowers who accept both loan funds should document the uses of the funds appropriately.

If your Economic Injury Disaster Loan was not used for payroll costs, it does not affect your eligibility for a Paycheck Protection Program loan.

Any advance up to \$10,000 on the Economic Injury Disaster Loan will be deducted from the loan forgiveness amount of the Paycheck Protection Program loan.

For example, a borrower may obtain a loan from the Paycheck Protection Program and use those funds to pay for 8 weeks of payroll or employee retention. They may wish to then dedicate their entire EIDL funds towards working capital, notes payable and accounts payable that do not duplicate the funds provided through the Paycheck Protection Program. If the EIDL

loan was used for payroll expenses, the borrower must refinance the EIDL loan with the PPP loan which carries a lower interest rate as well as a shorter maturity period.

**4. Are there any other restrictions on how I can use PPP loan proceeds?**

Yes. At least 75 percent of the PPP loan proceeds shall be used for payroll costs. For purposes of determining the percentage of use of proceeds for payroll costs (but not for forgiveness purposes), the amount of any refinanced EIDL will be included. The rationale for this 75 percent floor is contained in the First PPP Interim Final Rule.

**5. What amounts shall be eligible for forgiveness?**

The amount of loan forgiveness can be up to the full principal amount of the loan plus accrued interest. The actual amount of loan forgiveness will depend, in part, on the total amount spent over the covered period. For more information go to

<https://home.treasury.gov/system/files/136/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf>.

**6. How do I calculate the maximum amount I can borrow and what documentation is required?**

How you calculate your maximum loan amount depends upon whether or not you employ other individuals. If you have no employees, go to following link for further instructions,

<https://home.treasury.gov/system/files/136/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf>.

**7. The CARES Act excludes from the definition of payroll costs any employee compensation in excess of an annual salary of \$100,000. Does that exclusion apply to all employee benefits of monetary value?**

No. The exclusion of compensation in excess of \$100,000 annually applies only to cash compensation, not to non-cash benefits, including: • employer contributions to defined-benefit or defined-contribution retirement plans; • payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums; and • payment of state and local taxes assessed on compensation of employees.

**8. What time period should borrowers use to determine their number of employees and payroll costs to calculate their maximum loan amounts?**

In general, borrowers can calculate their aggregate payroll costs using data either from the previous 12 months or from calendar year 2019. For seasonal businesses, the applicant may use average monthly payroll for the period between February 15, 2019, or March 1, 2019, and June 30, 2019. An applicant that was not in business from February 15, 2019 to June 30, 2019 may use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020. Borrowers may use their average employment over the same time periods to determine their number of employees, for the purposes of applying an employee-based size standard.

Alternatively, borrowers may elect to use SBA's usual calculation: the average number of employees per pay period in the 12 completed calendar months prior to the date of the loan

application (or the average number of employees for each of the pay periods that the business has been operational, if it has not been operational for 12 months).

**9. Do PPP loans cover paid sick leave?**

Yes. PPP loans covers payroll costs, including costs for employee vacation, parental, family, medical, and sick leave. However, the CARES Act excludes qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116–127). Learn more about the Paid Sick Leave Refundable Credit [here](#).

**10. Should payments that an eligible borrower made to an independent contractor or sole proprietor be included in calculations of the eligible borrower’s payroll costs?**

No. Any amounts that an eligible borrower has paid to an independent contractor or sole proprietor should be excluded from the eligible business’s payroll costs. However, an independent contractor or sole proprietor will itself be eligible for a loan under the PPP, if it satisfies the applicable requirements.

**11. The amount of forgiveness of a PPP loan depends on the borrower’s payroll costs over an eight-week period; when does that eight-week period begin?**

The eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower. The lender must make the first disbursement of the loan no later than ten calendar days from the date of loan approval. A business owner must show evidence of workforce retention and re-hiring during that eight week period. They cannot wait to the last minute of the eight-week period to rehire.

**12. I applied for a \$10,000 emergency advance under EIDL and was told I would be getting less than that amount?**

This emergency advance does not guarantee that you will get \$10,000, **but up to \$10,000** based on documentation and number of employees. Businesses are getting \$1,000 per employee up to \$10,000 regardless of size.

**13. I applied for an EIDL loan and all I got was a disbursement for less than \$15,000, a fraction of what I was approved for. Is this all I’m going to get?**

No, but If you have been notified that you have been approved for a larger amount than what is being offered as a **first disbursement**, you should contact your SBA Disaster representative for more information about future disbursements and how to proceed. If you do not have that person’s contact information, you can call the SBA Disaster Customer Service Center at 1-800-659-2955.

**14. I have income from self-employment and file a Form 1040, Schedule C. Am I eligible for a PPP Loan?**

You are eligible for a PPP loan if: (i) you were in operation on February 15, 2020; (ii) you are an individual with self-employment income (such as an independent contractor or a sole proprietor); (iii) your principal place of residence is in the United States; and (iv) you filed or will file a Form 1040 Schedule C for 2019.

**15. How can PPP loans be used by individuals with income from self-employment who file a 2019 Form 1040, Schedule C?**

Please go to following link for more information,  
<https://home.treasury.gov/system/files/136/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf>.

**16. I own a restaurant and cannot open because of the Stay at Home order and have furloughed or laid off my employees. Can I apply for PPP?**

Yes, but you will have to rehire your employees, even if they are not working.

**17. I own a seasonal business. Am I eligible for PPP?**

Yes. You would have to use average of your payroll from March thru June of 2019 and use that to apply for 2.5 times that amount.

**18. My small business is a seasonal business whose activity increases from April to June. Considering activity from that period would be a more accurate reflection of my business's operations. However, my small business was not fully ramped up on February 15, 2020. Am I still eligible?**

In evaluating a borrower's eligibility, a lender may consider whether a seasonal borrower was in operation on February 15, 2020 or for an 8-week period between February 15, 2019 and June 30, 2019.

**19. Do I qualify for PPP as a foreign owned company?**

Only businesses whose principal place of residence is in the United States qualify for PPP.

**20. Are faith-based organizations eligible to participate in Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan Program (EIDL)?**

Yes, all faith-based organizations impacted by the Covid-19 pandemic are eligible for PPP and EIDL funding. See [https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-clarifies-eligibility-faith-based-organizations-participate-paycheck-protection-and-economic?utm\\_medium=email&utm\\_source=govdelivery](https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-clarifies-eligibility-faith-based-organizations-participate-paycheck-protection-and-economic?utm_medium=email&utm_source=govdelivery)