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CERTIFIED PUBLIC ACCOUNTANTS, BUSINESS CONSULTANTS & WEALTH MANAGEMENT

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Paycheck Protection Program or Economic Injury Disaster Loan Program-Which one is right for my business?

Paycheck Protection Program (PPP)

“Many strings attached but can turn into a partial or full grant instead of a loan”

- A loan equal to 250% of your average monthly payroll (average payroll over the last 12 months in most cases)-maximum loan amount \$10,000,000
- It appears at this time that the only documentation required is proof of your average monthly payroll
- You will receive the funds this coming week directly from an SBA approved bank (see attached list)
- Borrower does not have to demonstrate actual economic injury
- Borrower must certify that funds will be used to retain workers and pay eligible expenses such as rent, utilities, interest on preexisting debt)
- No indication of credit score minimum requirements
- No personal guarantee
- No collateral required
- No prepayment fee
- No SBA fees
- Carries with it the possibility of having some or all of the loan forgiven, largely contingent on retaining pre-Covid-19 levels of employment; to the extent your workforce is reduced, or salaries of your workforce are lower than prior to Covid-19.
- No payments due for the first 6-12 months (who qualifies for 6 or 12 months has not yet been clarified)
- Ten years to repay the unforgiven amount and no personal guarantee
- 4% interest rate

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Economic Injury Disaster Loan (EIDL)

“Fewer strings attached but is intended to be a loan that must eventually be repaid”

- Loan amounts up to \$2,000,000 (but not to exceed you demonstrated economic injury)
- A loan application that is submitted directly to the SBA and that you will receive, if approved, in all likelihood, no sooner than 4-6 weeks, and more likely in 2-3 months.
- Applicant must provide documentation to show economic injury
- No requirement to retain workers (if the borrower’s business is closed or operating at a significantly reduced level due to government health initiatives what work will there be for the rehired employees)
- Intended to provide working capital to use to survive until normal operations resume after this global pandemic
- Repayment terms up to 30 years; a business that has credit available elsewhere is restricted to a maximum 3 year term
- Interest rate 4%
- Available to businesses that cannot provide their own recovery from non-government sources
- Requires credit history acceptable to SBA
- Must show ability to repay the loans
- Collateral required for all EIDL loans over \$5,000 (SBA will not decline a loan for lack of collateral but require you to pledge what assets you do have)

An initial analysis of the law and other sources seems to indicate that a business will ***not*** be allowed to apply for both the PPP and EIDL. It does allow a business to refinance a previously obtained EIDL loan in addition to the 250% of payroll amount. However it is unlikely that any business in the Northeast US will have actually received any funds under the EIDL program yet.

We will be happy to discuss the best options for your business!

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