

Many of our businesses are trying to understand the differences between the available loan programs from the CARES Act. For this reason, CDF has worked with our lending institutions and accounting firms to provide this general breakdown between the loan programs. Your business accountant and bankers should be used to determine which loan is best for your business.



DESCRIPTION

Allows small businesses to borrow 2.5 times the average monthly payroll through local banks for the purpose of providing financial assistance for payroll, rent and/or mortgage payments, and utilities. All or a large portion of this loan can be forgiven.

The Economic Injury Disaster Loan Program (EIDL) can provide up to \$2 million of financial assistance to small businesses and non-profits for working capital to cover financial obligations that can be met due to the COVID-19. EIDLs do not replace lost sales or revenue.

Largely undefined loan program to be created by the Treasury Department to fill the gap between the Paycheck Protection Program for smaller employers and the industry stabilization loans to big business.

ELIGIBILITY

Must have been in operation on 2/15/20 and had paid employees and/or paid independent contractors. - Small business less than 500 employees or that otherwise meets SBA size standard per industry. - 501 (c)(3) with fewer than 500 employees. - An individual who operates as a sole proprietor, independent contractor, or who is self employed that carries on any trade or business. - If you are in the accommodation and food service sector (NAICS 72), the 500-employee rule is applied on a per physical location basis. - Any business concern operating as a franchise that is assigned a franchise identifier code by the SBA.

Small businesses in operation before 1/31/20. Loans can be based solely on credit score. There are several standards the SBA uses to define a small business, and it varies by industry. As a general guide, less than 500 employees and \$35 million in revenue would typically qualify. Applicants for SBA loan programs typically must include their affiliates when applying size tests to determine eligibility. This means that employees of other businesses under common control would count toward the maximum number of permitted employees.

Between 500 and 10,000 employees

DOLLAR AMOUNT

The lesser of \$10 million or 2.5 times the average total monthly payroll costs from the one-year period (look back) prior to the date of application. Express 7(a) loans available up to \$1 million. Note: Payroll Costs defined on page two.

The maximum loan size is \$2 million. Applicants who apply for this loan may request an advanced Emergency Grant of up to \$10,000 that will be distributed within 3 days. Applicants are not required to repay this advance.

Unspecified

LOAN PROCESSOR

- Bank (Approved as an SBA lender)
- Federally Insured Credit Union
- Participating Farm Credit System

Small Business Administration (SBA)

Bank or Qualified Lender

PERSONAL GUARANTEE

There is no collateral or personal guarantee required with this loan.

Yes, for loans > \$200,000, owners of > 20% of the business, managing members of LLCs, managing partners of LPs. However, no liens will be taken against real estate owned by the guarantor.

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LOAN USE

Payroll costs, mortgage interest payments, rent, utilities, and interest on prior debt during the 8-week period following loan origination.

Financial obligations and operating expenses that could have been met had the disaster not occurred, increased costs due to disrupted supply chain. \$10,000 advance to be used for Paid sick leave, payroll, rent/mortgage.

To retain 90% of workforce at full wages and benefits through 9/30/2020 and intention to restore 90% of workforce in place on 2/1/2020.

TERMS

1% interest rate; first 6 months of payments (principal and interest) automatically deferred. Term length is 2 years. (updated 4/3/2020)

Normal EIDL: 3.75% interest rate for small business / 2.75% interest rate for nonprofits. Maximum loan term of 30 years.

Interest capped at 2% with no principle or interest paid for first 6 months.

LOAN FORGIVENESS

Up to 8 weeks (after the origination date of the loan) of payroll costs (as defined below), interest payment on any mortgage or rent, and utility service payments all for which were in place prior to February 15, 2020. Loan forgiveness is contingent on having 75% of the number of employees on payroll February 15, 2020 hired back by June 30, 2020. Note: To seek forgiveness, documentation will need to be provided to the lender that includes the qualified expenses during the 8-week period.

\$10,000 advance can be forgiven even if borrower denied EIDL loans.

Expressly prohibited in statute. Section 4003(d)(3)

KEY DEFINITIONS

Covered Period means the 8-week period following loan origination.

Employee means an individual working on a full-time, part-time, or other basis.

Payroll Costs includes salaries, commissions, tips, certain employee benefits (including health insurance and retirement benefits), state and local taxes and certain types of compensation to sole proprietors or independent contractors. Payroll costs specifically exclude compensation of an individual employee in excess of an annual salary of \$100,000, foreign employees, FICA and income tax withholdings.

Covered Period means 1/31/2020 through 12/31/2020.

Eligible entity means a business with 500 or fewer employees.

FOR A LIST OF CDF MEMBER BANKS, SEE:
cdf.ms/banking

FOR A LIST OF CDF MEMBER ACCOUNTING FIRMS, SEE:
cdf.ms/accounting

HOW & WHEN CAN I APPLY?

Contact your local bank about the how to apply. It is anticipated that PPP loan applications would be available on or after April 3, 2020.

<https://covid19relief.sba.gov>

To be announced

