

The Economic Injury Disaster Loan (EIDL) Program and The Paycheck Protection Program (PPP)

The table below compares the terms of the EIDL and PPP loans. You are able to apply for both loans.

EIDL	PPP
Who is the lender?	
The SBA	A Bank that does SBA 7(a) Loans, underwritten by the SBA
Who can apply?	
<ul style="list-style-type: none"> • A business with not more than 500 employees • An individual who operates under a sole proprietorship, with or without employees, or as an independent contractor • A cooperative with not more than 500 employees. • A tribal small business concern, as described in 15 U.S.C. 657a(b)(2)(C), with not more than 500 employees. • A business, including an agricultural cooperative, aquaculture enterprise, nursery, or producer cooperative, that is small under SBA Size Standards found at https://www.sba.gov/size-standards 	<p>You are eligible for a PPP loan if you have 500 or fewer employees whose principal place of residence is in the United States, or are a business that operates in a certain industry and meet the applicable SBA employee-based size standards for that industry, and:</p> <p>i. You are:</p> <ul style="list-style-type: none"> A. A small business concern as defined in section 3 of the Small Business Act (15 USC 632), and subject to SBA's affiliation rules under 13 CFR 121.301(f) unless specifically waived in the Act; B. A tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code (IRC), a tax-exempt veterans organization described in section 501(c)(19) of the IRC, Tribal business concern described in section 31(b)(2)(C) of the Small Business Act, or any other business; and <p>ii. You were in operation on February 15, 2020 and either had employees for whom you paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC.</p> <p>You are also eligible for a PPP loan if you are an individual who operates under a sole proprietorship or as an independent contractor or eligible self-employed</p>

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	<p>individual, you were in operation on February 15, 2020.</p> <p>You must also submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount. SBA intends to promptly issue additional guidance with regard to the applicability of affiliation rules at 13 CFR §§ 121.103 and 121.301 to PPP loans.</p>
<p><i>What are the affiliation rules?</i></p>	
<p>Affiliation rules become important when SBA is deciding whether a business's affiliations preclude them from being considered "small." Generally, affiliation exists when one business controls or has the power to control another or when a third party (or parties) controls or has the power to control both businesses.</p>	<p>Affiliation rules become important when SBA is deciding whether a business's affiliations preclude them from being considered "small." Generally, affiliation exists when one business controls or has the power to control another or when a third party (or parties) controls or has the power to control both businesses</p>
<p><i>What is the maximum amount of the loan?</i></p>	
<p>The maximum loan size is \$2 million. Applicants who apply for this loan may request an advance of up to \$10,000 from the SBA. The advance will be distributed within 3 days. Applicants are not required to repay this advance.</p>	<p>Under the PPP, the maximum loan amount is the lesser of \$10 million or an amount that you will calculate using a payroll-based formula specified in the Act, as explained below.</p> <p>The following methodology, which is one of the methodologies contained in the Act, will be most useful for many applicants.</p> <ol style="list-style-type: none"> i. Step 1: Aggregate payroll costs (defined below) from the last twelve months for employees whose principal place of residence is the United States. ii. Step 2: Subtract any compensation paid to an employee in excess of an annual salary of \$100,000 and/or any amounts paid to an independent contractor or sole proprietor in excess of \$100,000 per year. iii. Step 3: Calculate average monthly payroll costs (divide the amount from Step 2 by 12).

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- iv. Step 4: Multiply the average monthly payroll costs from Step 3 by 2.5.
- v. Step 5: Add the outstanding amount of an Economic Injury Disaster Loan. (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any “advance” under an EIDL COVID-19 loan (because it does not have to be repaid).

The examples below illustrate this methodology.

Example 1 – No employees make more than \$100,000
Annual payroll: \$120,000

- Average monthly payroll: \$10,000 Multiply by 2.5 = \$25,000 Maximum loan amount is \$25,000

Example 2 – Some employees make more than \$100,000 Annual payroll: \$1,500,000

- Subtract compensation amounts in excess of an annual salary of \$100,000: \$1,200,000
Average monthly qualifying payroll: \$100,000
Multiply by 2.5 = \$250,000 Maximum loan amount is \$250,000

Example 3 – No employees make more than \$100,000, outstanding EIDL

- loan of \$10,000.
Annual payroll: \$120,000
Average monthly payroll: \$10,000 Multiply by 2.5 = \$25,000
Add EIDL loan of \$10,000 = \$35,000 Maximum loan amount is \$35,000

Example 4 – Some employees make more than \$100,000, outstanding EIDL loan of \$10,000

- Annual payroll: \$1,500,000
Subtract compensation amounts in excess of an annual salary of \$100,000: \$1,200,000
Average monthly qualifying payroll: \$100,000
Multiply by 2.5 = \$250,000
Add EIDL loan of \$10,000 = \$260,000
Maximum loan amount is \$260,000

Payroll Costs are defined as:

- Payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such

	records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.
<i>What is the annual interest rate?</i>	
3.75% for businesses, 2.75% for non-profits	1%
<i>What is the term of the loan?</i>	
Up to 30 years	2 years
<i>When is the first loan payment due?</i>	
One year after the loan origination date (interest is accrued during the deferment)	At least six months after the loan origination date (interest is accrued during the deferment)
<i>What can we use the loan for?</i>	
Financial obligations and operating expenses that could have been met had the disaster not occurred	Permitted costs which are: <ul style="list-style-type: none"> • Employee salaries, commissions, or similar compensations (see exclusions above) • Health insurance premiums and costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave • Payments of interest on any mortgage obligation but excluding any prepayments or payments of principal • Rent (including rent under a lease agreement) • Utilities • Interest on any other debt obligations that were incurred before the Covered Period (as defined below)

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Is there a loan forgiveness program?	
No	<p>Yes – calculated as the amount spent on Permitted costs in an 8-week period between February 15, 2020 and June 30, 2020 after the loan was originated.</p> <p><i>*due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs</i></p>
What reduces the forgiveness?	
N/A	<p>The amount forgiven is reduced based on failure to maintain the average number of full-time equivalent employees versus the period from either February 15, 2019, through June 30, 2019, or January 1, 2020, through February 29, 2020, as selected by the borrower. The amount forgiven is also reduced to the extent that compensation for any individual making less than \$100,000 per year is reduced by more than 25% measured against the most recent full quarter. Reductions in the number of employees or compensation occurring between February 15, 2020, and 30 days after enactment of the CARES Act will generally be ignored to the extent that reductions are reversed by June 30, 2020. Forgiven amounts will not constitute cancellation of indebtedness income for federal tax purposes.</p>
What collateral is required?	
The SBA will place a UCC lien against the assets of the business	No collateral is required from either the business or its owners
Is a personal guarantee required?	
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	No.
Do I need to have filed my 2019 Taxes to apply?	

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<p>No, 2019 Taxes do not have to be filed prior to applying for the loan. However, businesses will be asked to submit IRS form 4506T, which provides the SBA with access to historical tax returns</p>	<p>Will depend on the lender</p>
<p><i>How long will the loan application take?</i></p>	
<p>2-3 weeks plus an additional 5 days for funding</p>	<p>Unknown at this stage</p>
<p><i>Can I apply now?</i></p>	
<p>Yes, the application process is live, and loans are available now. There is no obligation to accept the loan if you qualify. The SBA typically allows 60 days to accept the loan offer, but you can always extend this if needed. Therefore, it is better to apply ASAP</p>	<p>Small businesses and sole proprietorships can apply now through their banks.</p> <p>Independent contractors can apply starting April 10.</p> <p>We understand that most banks are only serving existing customers and recommend you go to your bank.</p> <p>For more information about the PPP, please look at this outline released by the SBA.</p>
<p><i>How can I apply?</i></p>	
<p>Fill out the online application here.</p>	<p>The PPP application process is through your bank, not directly through the SBA.</p> <p>Fill out this application and provide your bank with their necessary information.</p> <p>Borrowers must submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.</p>

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