

## SYNOPSIS OF THREE LOANS AND THE ADVANCE

- **The Economic Injury Disaster Loan (EIDL)** is a 30-year, fixed-rate 3.75% interest rate loan for small businesses under 500 employees. Its purpose is to provide **6 months of working capital** to cover monthly business expenses which include rent, utilities, accounts payable, loan payments, and payroll expenses. There is no obligation to accept it and there are no pre-payment penalties. The intent is to fund this within three weeks of submitting the loan application. Sole proprietors, independent contractors, cooperatives and employee-owned businesses and tribal small businesses may apply. This loan is direct from the Federal SBA and is funded through the US Treasury.
- **Included in the EIDL application** is a request for a near-immediate **grant of up to \$10,000**. This does not need to be repaid and can be used for rent, payroll, utilities, mortgage payments, and other operating expenses. The only way to access this grant is to apply for the EIDL. There is no obligation to accept the EIDL once an SBA Loan officer contacts the applicant to discuss the loan. The intent is to provide an advance of up to \$10,000 within 3 days of submitting the application via a direct deposit to the business or non-profit bank account. Sole proprietors, independent contractors, small agricultural cooperatives and employee-owned businesses and tribal small businesses may apply. This grant is direct from the Federal government and funded through the US Treasury as part of the CARES Act.
  - In both cases above, both for-profits under 500 employees and private non-profits of any size may apply. The non-profit EIDL rate is 2.75% fixed for 30 years with no pre-payment penalty and no obligation to accept. Some small agricultural cooperatives may also qualify which meet the SBA size requirements, as well as sole proprietors, independent contractors, cooperatives and employee-owned businesses and tribal small businesses.
- **The Paycheck Protection Program** provides small businesses with funds to pay **up to 8 weeks** of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees. In order for the loans to be forgiven, employers **MUST** keep employees on payroll at the same salaries as before the crisis or quickly rehire employees once the crisis passes. Small businesses with 500 or fewer employees—including nonprofits, veterans organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors—are eligible. Businesses with more than 500 employees are eligible in certain industries. This loan is processed through standard SBA 7(a) lenders.
  - Starting April 3, small businesses, non-profits, and sole proprietorships may apply
  - Starting April 10, independent contractors and self-employed individuals may apply

- This is a fixed-rate 0.50% (1/2 percent) loan due in 2 years with no pre-payment penalty and no application fees
- The loan amount is 2.5X payroll costs including benefits, vacation, sick leave, and state and local taxes. It does not include Federal payroll tax
- Only 25% is to be used for rent, mortgages, utilities and other expenses

➤ **Express Bridge Loan** for the COVID-19 disaster can be applied for through **March 13, 2021**. It can only be made through a qualified SBA Express Lender. Eligible small businesses are those with which the SBA Express Lender had a pre-existing banking relationship prior to March 13. The small business must have a physical presence in the area where the disaster is declared. This can include a home office. An applicant can obtain only one (1) EBL. The EBL will NOT count toward the maximum number of SBA Express loans a borrower can have, but it WILL count towards the maximum limitation on the amount of 7(a) loans a borrower can have. See *Express Bridge Loan Program Guide* for more information.

- Maximum loan amount is \$25,000
- Loan is guaranteed by the SBA and counts towards the SBA maximum guaranty exposure for all SBA Express Loans with the lender.
- Term loan for a maximum of 7 years (cannot be a line of credit)
- Can only be used for the business survival or to reopen the business
- Rate can be up to 6.5% over Prime, either fixed or variable depending on lender standards
- Subject to the same upfront fees as with SBA 7(a) loans
- Lender may charge annual service fees as with SBA 7(a) loans
- Lender may impose other fees

**Criteria to qualify for the EBL:**

- Business owner cannot get available credit elsewhere, meaning they cannot obtain loan funds at reasonable rates from non-Federal sources;
- Business was operational on or before March 13, 2020
- Owner can demonstrate that COVID-19 has adversely affected their business
- Business has a FICO Small Business Credit Score of at least 130
- Owner/guarantor has a satisfactory personal credit score under the lender's standards
- Business must be small under SBA size requirements for that industry
- Business cannot have any associates who are incarcerated, on probation, on parole, or subject to an indictment, criminal information, arraignment, or have any formal criminal charges against them in any jurisdiction
- Owner cannot have any delinquent Federal debt or prior loss to the government, unless it was waived by the SBA for good cause.

If you have questions or need assistance,  
please contact the Yavapai College SBDC. [Register Here](#).  
Call 928-717-7232 to schedule a virtual appointment.