

CARESAct  
Economic Disaster Injury Loan  
Paycheck Protection Program

El Pajaro CDC

Community Foundation for Monterey County

# Economic Disasters Injury Loan (EDIL)

## Eligibility

- Must be a Small Business under the [SBA Table of Size Standards](#)
- Personal Guarantees Required for any owner of 20% or more
- Separate Entities can apply separately
- No Credit Elsewhere - Business needs to show they are unable to cash flow without hardship. This excludes retirement accounts, personal residence
- If you are declined, you will be told why and can resubmit

# Economic Disasters Injury Loan (EDIL)

## Ineligible Applicants

- Some franchises. Determined on a case by case basis based on control
- Those that have defaulted on federal debt
- Agricultural businesses

# Economic Disasters Injury Loan (EDIL)

## Terms

- **Amounts:** Up to \$2 Million for 30 years at 3.75% for for profits, and 2.75% for non-profits, no fees including prepayment. An Increase can be asked at a later time.
- **Payments:** Deferred for 11 months with the first payment on the 12th. Interest accrues during this the deferment
- **Credit:** Must be worthy credit - not defined.

# Economic Disasters Injury Loan (EDIL)

## Terms

- **Use of Proceeds:** Any working capital needs. The need is what the SBA lends again and the capacity for repayment, not the loss. Cannot be used for refinancing long term debt, paying down (other than regular installment payments) or paying off loans provided, guaranteed, or insured by another Federal agency or a Small Business Investment
- **Collateral:** Nothing for requests under \$25k; for above \$25k - UCC and potentially personal assets, including real estate when available, on a case by case basis. SBA will not decline a loan due to lack of collateral but requires borrowers to pledge what is available.
- **Disbursement of Funds:** Not controlled. Lump sum.

# Economic Disasters Injury Loan (EDIL)

- **Loan Process Decision: 30 days but could be longer**
  - A loan officer contacts you to make recommendations
  - Information is verified, credit checked, and forecasts are completed to determine the amount
  - You may also contact customer service at 1.800.659.2955 or [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov) to find out the status of your application before you are assigned to a loan officer.
- **Loan Closes and Funds Disbursed**
  - Initial disbursement of \$25k within 5 days
  - A case manager is assigned to that will help you with the rest
  - Electronically transferred to bank account

# DOCUMENTATION AND REQUIREMENTS

- Complete Application Sole Prop: ([SBA Form 5C](#)) All Others ([SBA Form 5](#))
  - Section 1: Select “Economic Injury”
- Tax Returns (only required if loan is greater than \$500K)
- If the most recent Federal Tax Return has not been filed, A Year End Profit and Loss Statement and Balance Sheet for the most recent year
- A current year to date profit and loss
- Additional Filing Requirements ([SBA Form 1368](#)) providing *monthly* sales figures will generally be required when requesting an increase in the amount of economic injury.
- Fee Disclosure Form and Compensation Agreement ([SBA Form 159D](#))

# Paycheck Protection Program (PPP) - SBA 7(a) CARES ACT

- **INTEREST RATE – 1.0% (part 2i)**
- **TERM – Two (2) years (part 2j)**
- **MAXIMUM LOAN AMOUNT - \$10,000,000 PAYMENTS –**
- **Deferred for (six) months. (Interest continues to accrue.)**
- **COLLATERAL - No collateral or personal guarantees required**
- **FORMS NEEDED BY BORROWER –**
- **SBA Form 2483 (PPP Application)**
- **Payroll documentation**
- **LENDER FORMS –**
- **SBA Forms 2483 Borrower application**
- **- 2484 (PPP Lender application for guaranty)**
- **Must be filed electronically Preapplication**



# Paycheck Protection Program (PPP) - SBA 7(a) CARES ACT

- **ELIGIBLE BUSINESSES**

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) not-for-profit charitable organization with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c) (19) Veterans Organization that meets the SBA size standard
- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company, the normal affiliation rules do not apply

# Paycheck Protection Program (PPP) - SBA 7(a) CARES ACT

- **INELIGIBLE BUSINESSES**

- Businesses engaged in illegal activity under federal, state or local law. (Cannabis warning)
- A household employer (you have a nanny, staff, etc.)
- Any previous defaults on a federal loan in last 7 years

# Paycheck Protection Program (PPP) - SBA 7(a) CARES ACT

## WHAT LENDERS WILL NEED

### GOOD FAITH CERTIFICATION THAT - (part 2t)

- The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
- The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
- Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
- From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

# Paycheck Protection Program (PPP) - SBA 7(a) CARES ACT

- **PAYROLL DOCUMENTS –**
- These can be payroll processor records, payroll tax filings, or Form 1099MISC, 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.

# Paycheck Protection Program (PPP) - SBA 7(a) CARES ACT

- **DETERMING LOAN AMOUNT:**
- **Step 1:** Aggregate payroll costs (defined in detail below in f.) from the last twelve months for employees whose principal place of residence is the United States.
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- **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.
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- **Step 3:** Calculate average monthly payroll costs (divide the amount from Step 2 by 12).
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- **Step 4:** Multiply the average monthly payroll costs from Step 3 by 2.5.
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- **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).