

SBA EIDL Loan and the Paycheck Protection Program Loan

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Thursday, the SBA came out with more clarification on the “interaction” of the SBA EIDL Loan and the Paycheck Protection Program Loan. I present the wording the SBA used below and then I tried to clarify and raise some things to consider.

Specifically, the information provided by the SBA was as follows:

“If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, you may not take out an EIDL and a PPP for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. Also, if you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under a PPP loan.”

My understanding and things to consider from this statement:

1. I do not think the first sentence of this applies to anyone in Wisconsin because I am not aware of any EIDL loans having been made prior to the PPP becoming available in Wisconsin. Therefore in Wisconsin you cannot refinance an SBA EIDL loan into PPP.
2. You are not allowed to “justify” each of the two loans with the same expenses...you can’t use the two loans for the same purpose. Therefore, if you plan to get a PPP loan to pay for payroll related expenses, mortgage expenses, rent, and utilities, you should not also take out the EIDL loan unless you have “other” expenses that are not covered by the PPP loan.
3. If you received and kept the EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgivable under your PPP loan.
4. If you received and kept the emergency EIDL grant award of up to \$10,000, and your typical payroll related expenses are not very significant each month, it may not be worth seeking the PPP since the first \$10,000 of the forgivable PPP would not be allowed because you took the \$10,000

EIDL grant. (Note: It is likely that the bank will also not want to accept a PPP loan application from you for a very small amount of payroll related expenses as they may determine it to be too small of a loan to fool around with.)

Applications for the PPP Loan Program Are Set to Start Friday April 3.

As of 4 pm Thursday I have not heard any change in the PPP application start dates:

1. Starting April 3, 2020, small businesses and sole proprietorships with employees can apply for and receive loans to cover their payroll and other certain expenses.
2. Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their income loss and other certain expenses.

You will apply for PPP loans at a bank that is participating in the program. Start by contacting your existing bank to see if they are accepting PPP loan applications. Shown below is a list of Banks in in Barron County that are participating. (per Dave Armstrong at Barron County EDC)

Confirmed bank participants so far in Barron County include:

- US Bank
- Sterling Bank
- Citizens Community Federal
- Dairy State Bank
- Royal Credit Union
- Cumberland Federal
- Community Bank of Cameron
- Johnson Bank

SBA Economic Injury Disaster Loan (EIDL) Program:

Here is the link to apply for the SBA EIDL loan program.

<https://wisconsinsbdc.org/services/covid-19/disasterloans/>

Go to the link and click on the blue “Apply Online” button.

Contact Dave Armstrong at Barron County EDC with questions.

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