

PPP and EIDL Loans—What Farmers Should Know cont'd from page 6

5, 2020 the loan is due in five years. However, as with any loan, there is always potential for renegotiation. Lenders and borrowers can discuss and if they both agree, the earlier loans could be modified.

Forgiveness process for loans of \$150,000 or less

Borrowers that received \$150,000 or less can apply for forgiveness using the [SBA Forgiveness Application Form 3508S](#) (effective Jan. 19, 2021). These borrowers are not required to submit an application or documentation in addition to the certifications and information required by the Small Business Act. Borrowers must retain records that prove their compliance with the PPP requirements for four years (employment records) and for three years for any other records. Borrowers could be audited or reviewed by SBA.

Can I ask for an increase in my PPP loan that I've already received (First Draw Loans)?

Borrowers who have not yet received forgiveness can request an increase in their loan amount if they returned all or part of a PPP loan or didn't take all of a PPP loan to which they were entitled. A borrower can also be eligible to increase a first loan if the rules changed that allows for an increase. The Center on Agriculture Law and Taxation (CALT) has more information on these circumstances in its blog post: <https://www.calt.iastate.edu/blogpost/sba-has-issued-rules-first-draw-second-draw-and-increased-ppp-loans> under the section: Increases to First Draw Loans.

Second Draw Loans

The Economic Aid Act authorized the Second Draw Loans with the same terms and conditions as first draw loans to borrowers who have previously received a First Draw Loan and have used or will use the full amount of their initial PPP loan for authorized purposes on or before the expected date of disbursement of their Second Draw Loan. Eligibility for the Second Draw Loan include businesses with 300 or fewer employees and has a revenue reduction of 25% or more in 2020 when compared to 2019. More information on revenue reduction calculations can be found at the same CALT blog post listed in the previous section under the section: Second Draw/Revenue Reduction

Economic Injury Disaster Loan Program

The Economic Injury Disaster Loan (EIDL) purpose is to meet financial obligations and operating expenses that could not have been met had the disaster not occurred. These are loans that the borrower makes an application directly to the SBA.

While the EIDL *Advance* funding has all been distributed, the EIDL COVID-19 loan program is still open for applications. In addition, EIDL COVID-19 loans may be increased from the original funded amounts in 2021. The online application is available at address: <https://covid19relief.sba.gov/#/>

To be eligible for an EIDL, a business must have 500 or fewer employees and have been in operation by January 31, 2020.

The SBA EIDL COVID-19 loans amounts are for six months of working capital, up to a maximum of \$150,000. The interest rate is 3.75% for businesses and 2.75% for non-profits. Maximum loan term is 30 years. The emergency loans are not forgiven (except for emergency advances).

Loans can be used to cover:

- Payroll,
- Fixed debts (like mortgages but not on federal debts),
- Accounts payable,
- Rent,
- Other operating expenses.

Can Businesses Apply for both the EIDL and Paycheck Protection Program (PPP)?

A borrower can generally obtain both an EIDL and PPP; however, the proceeds may not be used for the same purposes. A borrower still must meet eligibility requirements for each program individually. If an application has already received other disaster assistance that must be declared in the application.

Go to the SBAs web page <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/covid-19-economic-injury-disaster-loan> and its FAQ, <https://www.sba.gov/document/support-faq-regarding-covid-19-eidl> for the most up to date information.

