

Economic Injury Disaster Loans (EIDL)

In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan with an advance of up to \$10,000. This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available following a successful application.

The SBA's Economic Injury Disaster Loan program provides vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing as a result of the COVID-19 pandemic.

This program is for any small business with no more than 500 employees (including sole proprietorships, independent contractors and self-employed persons), and private non-profit organizations ((501(c), (d) or (e)) or 501(c)(19) veterans' organizations affected by COVID-19.

Businesses in certain industries may have more than 500 employees if they meet the [SBA's size standards](#) for those industries.

- Maximum Loan - \$2 Million
- Interest Rates:
 - Small Business – 3.75%
 - Non-profits – 2.75%
- Payment Examples:
 - \$25,000 for 30 years is \$116 per month
 - \$50,000 for 30 years is \$232 per month
 - \$100,000 for 30 years is \$463 per month
- Terms: Up to 30 years
- Loan Amount Determination – The SBA will make that decision based on the information submitted with the loan application.
- Loan Acceptance: Borrowers are not obligated to accept the loan, and generally have a year to make a decision.
- Loan Advance – A \$10,000 loan advance is available. **CAUTION:** There is a box that must be checked when filling out the application to request a \$10,000 loan advance. This loan advance may not have to be repaid. Per an SBA seminar, the decision to forgive all or part of the advance is at the discretion of the SBA. If a borrower also has a paycheck protection program

(PPP) loan, the \$10,000 will be deducted from the amount forgiven from the PPP loan.

- Payment Deferral: Payment can be deferred for up to 12 months based on an SBA determination. Interest will continue to accrue.
- Eligibility: Eligibility for these working capital loans is limited to businesses with 500 employees or less and type of business and its financial resources. For purpose of determining the number of employees, both full-time and part-time employees count. But do not include independent contractors as employees.

To qualify, a business must also be a business that:

- Is directly affected by the disaster,
 - Offers services directly related to businesses directly affected by the disaster, or
 - Is a business indirectly related to the industry that is likely to be harmed by losses in its community.
- Business Entities – Qualifying business entities include:
 - Sole proprietors,
 - Independent contractors,
 - Partnerships,
 - Corporations,
 - Non-profits with IRS tax exemption under sections 501(c), (d), or (e).
 - Multiple Businesses – Each business entity must apply separately.
 - Use of Funds: EIDLs are working capital loans that may be used to pay fixed debts, payroll, accounts payable, insurance, interest and other general operating expenses that could have been paid had the disaster not occurred. The loans are not intended to replace lost sales or profits or for expansion.
 - Determining the Loan Need: A borrower may project up to a year of damages a result of the pandemic when determining the amount of a loan needed.
 - Collateral Requirements: EIDL loans in excess of \$25,000 require collateral. Collateral generally includes real estate when available. The SBA will not necessarily decline a loan for lack of collateral but requires borrowers to pledge what is available. It will be up to the underwriters to make collateral decisions.
 - Ineligible Entities (this may change in the future):
 - Gambling Concerns (Ex: Concerns that derive more than 1/3 of their annual gross revenue from legal gambling activities)

- Casinos & Racetracks - Businesses whose purpose for being is gambling (e.g., casinos, racetracks, poker parlors, etc.) are not eligible for EIDL assistance regardless of the 1/3 criteria above.
- How to Apply – It is recommended an applicant visit the SBA.gov website prior to submitting an application since everything related to COVID-19 is fluid and changes almost daily. The information below may have changed.
 - Applicants may apply online using the Electronic Loan Application (ELA) via SBA's secure website.
 - Or, if submitting a completed paper loan application, it should be mailed to:

SBA, Processing and Disbursement Center,
14925 Kingsport Road,
Fort Worth, TX 76155

Disaster loan information and application forms may also be obtained by calling the SBA's Customer Service Center at 800-659-2955 (800-877-8339 for the deaf and hard-of-hearing) or by sending an email to disastercustomerservice@sba.gov.

- What to Do First – Complete application Form 5 or 5C (5C is for sole proprietors) and Form P-019. After the appropriate form is properly completed, an application number will be returned.
- Multiple SBA Loans - Borrowers may apply for different SBA loans – PPP loans, EIDL loans, non-disaster SBA 7(a), 504 and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs). However, you cannot use your PPP loan for the same purpose as your other SBA loan(s).

NOTE: It may be appropriate to apply for both a PPP loan and an EIDL since the PPP loan will only support payroll and expenses for approximately 8 weeks and this mess may last a lot longer than that.

- Basic Filing Requirements:
 - Completed SBA loan application; use Form 5C for sole proprietors and Form 5 for all others.
 - Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates (see instructions on form, must be signed).
 - Complete copies of the most recent Federal Income Tax Return.
 - Schedule of Liabilities (SBA Form 2202).
 - Personal Financial Statement (SBA Form 413).
 - Other Information may also be requested:

- Complete copy, including all schedules, of the most recent Federal income tax return for principals, general partners or managing member, and affiliates.
- If the most recent Federal income tax return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year.
- A current year-to-date profit-and-loss statement.
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures (especially important for Economic Injury Disaster Loans like these).