

SBA Economic Injury Disaster Loans FAQ

The COVID-19 pandemic has prompted special modifications and provisions to the SBA's **Economic Injury Disaster Loan (EIDL)** program, either in connection with the recently enacted **CARES Act** legislation or pursuant to actions already taken directly by the SBA under its existing authority or discretion. The changes are generally designed to expand access to **EIDLs** and to reduce the time it will take to obtain **EIDL** funding.

What is an SBA EIDL?

SBA Economic Injury Disaster Loans (EIDLs) are low-interest loans for small businesses that experience an economic hardship as the result of a declared disaster. Unlike other disaster loan programs, they do not require physical damage to a business.

Who is eligible for EIDL?

Ordinarily, to qualify for an EIDL, the applicant must establish that it is a small business concern, private nonprofit organization, or small agricultural cooperative. The CARES Act has expanded its eligibility criteria to also include any business with less than 500 employees. There are several standards the SBA uses to define a small business, and it varies by industry. As a general guide, less than 500 employees and \$35 million in revenue would typically qualify. Applicants for SBA loan programs typically must include their affiliates when applying size tests to determine eligibility. This means that employees of other businesses under common control would count toward the maximum number of permitted employees. Wealth management practices are eligible for assistance.

How much can be borrowed under EIDL?

The maximum EIDL is \$2,000,000. Applicants may also apply for an advance grant of up to \$10,000. This advance is to be distributed within three days of approval and is taken from the total approved loan amount.

NOTE: This \$2,000,000 cap can be waived if the SBA deems the business a "major source of employment" in the area.

Are EIDL loans eligible for forgiveness?

No, the EIDL itself is not eligible for forgiveness. But, the EIDL advance grant of up to \$10,000 is forgiven if it is used for:

- Paid leave;
- Maintaining payroll;
- Mortgage or rent payments;
- Repaying debt obligations that the business is unable to meet due to revenue loss; and
- Increased costs due to supply chain disruption.

What is the deferment of EIDLs?

Borrowers have one year of deferred payments under EIDLs. Interest is accrued during this year of deferment.

What collateral will be required?

Borrowers are not required any collateral if the loan is under \$25,000. If the loan is greater than \$25,000, the SBA will use general security interest in business assets as the loan's collateral.

Is a personal guarantee required?

A personal guarantee is required on all EIDLs over \$200,000. This personal guarantee is waived for loans below \$200,000 from January 31, 2020 through December 31, 2020.

What are the rates, terms and conditions of an EIDL?

EIDLs are provided by the SBA directly. The interest rate for EIDLs is 3.75% for small businesses and 2.75% for non-profits. The loan term is dependent on the borrower and has a maximum of 30 years.

What restrictions will be placed on my business as a result of accepting an EIDL?

Borrowers may not use EIDLs to pay down debt incurred prior to the current disaster. EIDL proceeds are also not to be used to repair physical damage or pay dividends.

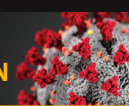
What does an applicant need to acknowledge?

If an applicant already has an outstanding EIDL for another disaster that their business has incurred, they are still eligible to apply for another EIDL to account for losses brought on by COVID-19.

How much can be forgiven?

EIDL emergency grants do not need to be repaid by borrowers. The EIDL itself, however, is not forgiven.

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What are permissible uses of EIDLs?

EIDLs are meant to cover financial obligations and operating expenses that could have been met had the disaster not occurred. These obligations and expenses include the following:

- Working capital to continue business operations
- Providing sick leave to employees who have contracted COVID-19
- Maintaining payroll
- Meeting increased business costs
- Making rent or mortgage payments
- Repaying obligations that cannot be met as a result of decreased revenue

When do I need to apply?

Borrowers can apply for EIDLs currently through the SBA directly. Borrowers have until December 31, 2020 to apply for EIDLs.

How do I apply?

Small businesses in eligible areas may apply for an EIDL online at: <https://disasterloan.sba.gov/ela/> or you can also reach out to your local SBA District Office.

If small businesses need help with their applications, are there any other resources available to help them fill out the applications?

SBA has also coordinated with the Resource Partners, including Small Business Development Centers, (SBDCs) who can assist with the application process. The list of SBDCs is available online at www.sba.gov/localassistance.

How long will it take to receive the EIDL proceeds?

EIDLs are typically approved within 21 days. Loan proceeds are then typically disbursed within the following five business days. If a borrower applies for the emergency EIDL grant they will receive funds within three days of approval.

Will applying for an EIDL impact my ability to get a PPP loan?

A borrower that received an EIDL between January 31, 2020 and April 3, 2020 is also eligible to receive a PPP loan. Borrowers may receive both an EIDL and a PPP loan as long as they are not being used for the same purpose. Typically, if borrowers are applying for both a PPP and an EIDL they will use the PPP loan for Payroll costs and will use the EIDL for fixed costs that continue to occur despite a decline in business.

If a borrower receives an EIDL emergency advance but is approved for a PPP loan instead, the amount of this advance is reduced from the portion of the PPP loan that is eligible to be forgiven.

What documentation is each applicant required to supply?

Please find a list of documentation needed to apply below:

- SBA Form 5 or SBA Form 5C for Sole Proprietors
- IRS 4506T Form signed and completed by each applicant, principal owner of 20% or more, managing member or general partner, and for anyone with 50% ownership in an affiliate business (subsidiary to business, parent company of business, etc.)
- Personal Financial Statement (SBA Form 912) for each applicant, principal owner of 20% or more, and each managing member or general partner.
- Schedule of Liabilities listing all fixed debts of the applicant business (SBA Form 2202)
- Monthly sales figures of applicant business (SBA Form 1368)
- Complete Federal Income Tax Returns (including all schedules) for the applicant business
- Signed Fee Disclosure Form and Compensation Agreement (SBA Form 159)