

SMALL BUSINESS ADMINISTRATION CORONAVIRUS ECONOMIC INJURY DISASTER LOANS (EIDL)

Section 1110 of the CARES Act

OVERVIEW

Economic Injury Disaster Loans provide small businesses with loans and grants, and waives certain requirements on loans of \$200,000 or less. Applicants can also convert the loan into an SBA interruption loan. The CARES Act authorizes \$10 billion for the SBA to provide the loans and grants through December 30, 2020.

WHO QUALIFIES?

GENERAL ELIGIBILITY

- **Self-employed individuals** that have documented evidence of their income, expenses, and payroll tax filings (as reported on IRS Form 1099-MISC).
- **Small Businesses** with 500 employees or less, including tribe-owned businesses, but also small businesses that exceed 500 employees if they meet the applicable [SBA Size Standard](#) for their industry.
- **Cooperatives** with 500 employees or less, and small agricultural cooperatives.
- [Employee stock ownership plans](#) with 500 employees or less.
- **Any nonprofit organization** that is tax exempt under [Section 501\(c\)](#) of the tax code.
- Borrowers who receive an SBA interruption loan under the Paycheck Protection Program may not receive an EIDL for the same purpose.

ADDITIONAL ELIGIBILITY REQUIREMENTS (NOT EXHAUSTIVE):

- Borrowers must have been in business on January 31, 2020.
- Collateral is required for all loans over \$25,000, but applicants will not be denied for lack of collateral. In such an instance, the SBA will require the borrower to pledge what is available.
- Borrowers do not have to be in business for more than a year, prove they can't find credit elsewhere, provide a [personal guarantee](#) for loans of \$200,000 or less, or submit a tax return or tax transcript.
- Borrowers can be approved based on credit score alone.

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WHAT ARE THE TERMS, CONDITIONS, AND AMOUNTS OF THE LOANS?

GENERAL OVERVIEW

- **EIDLs will be offered through the SBA:** The assistance is provided through a grant and a subsidized loan from the SBA, available until December 31, 2020.
- **Interest rate capped at 4%:** The interest rate is capped at 4%, but normally 3.75% for businesses and 2.75% for non-profit organizations.
- **Loan terms are on a case-by-case basis:** The term of the loan is determined on a case-by-case basis, based upon each borrower's ability to repay, but with a max term of 30 years.
- **Requirement for Governor's request is waived:** Governors do not have to request relief for businesses and organizations in their states to have them qualify. All states and territories are deemed to qualify.

ALLOWABLE USES OF LOAN PROCEEDS

- **Certain payroll and operating expenses:** The grants and loans can be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the coronavirus outbreak, including:
 - Providing paid sick leave to employees unable to work because of the coronavirus outbreak;
 - Maintaining payroll to retain employees during business disruptions or slowdowns;
 - Meeting any increased cost of materials due to interrupted supply chains;
 - Making rent or mortgage payments;
 - Repaying obligations that cannot be met due to revenue loss.
- **The loan cannot be used to:**
 - Refinance existing debt;
 - Make payments on loans owned by another federal agency (including the SBA) or Small Business Investment Company;
 - Pay any federal, state or local penalty, criminal fine, or civil fine;
 - Repair physical damage;
 - Pay dividends or other disbursements to owners, partners, officers or stockholders, except for reasonable compensations directly related to their performance of services for the business.

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MAXIMUM LOAN AMOUNT:

- **Maximum loan amount of \$2 million:** The loan amount is based on the amount of substantial economic injury sustained by the borrower, up to \$2 million. Loss of anticipated profits or a decline in sales alone is not considered “substantial economic injury.”
 - “Substantial economic injury” is defined as the amount of ordinary and necessary expenses the borrower cannot cover due to the coronavirus outbreak.
- **Grants of up to \$10,000 is available within three days, regardless of approval:** A cash advance (grant) of the loan, up to \$10,000, can be provided to the borrower upon request. SBA is required to provide the grant within three days of receiving the loan application. The grant is provided regardless of whether the borrower is ultimately approved for the loan and does not have to be repaid.

APPLICATION PROCEDURES:

- Once regulations are issued providing for the new loan features, borrowers can [apply online for an SBA disaster assistance loan](#).
- Borrowers can also contact the SBA disaster assistance customer service center by calling 1-800-659-2955 (TTY: 1-800-877-8339) or emailing disastercustomerservice@sba.gov.

OUTSTANDING ITEMS TO BE RESOLVED BY FEDERAL AGENCIES

- SBA must determine whether applicants can apply for another loan once the funds from a previous disaster loan is exhausted.
- SBA must determine when the new loans and application procedures will become available.
- SBA will determine the specifics of the grant application process.
- SBA will determine the collateral and personal guarantee requirements.
- SBA will determine specific documentation requirements to prove substantial economic injury or self-employment.
- SBA may use measures other than credit score to determine a borrower’s ability to repay. SBA is authorized to develop an alternative method to determine ability to repay.