

Overview of Economic Injury Disaster Loans

In response to the economic burden on small businesses resulting from COVID-19, Economic Injury Disaster Loans (EIDLs) are available now through the Small Business Administration (SBA) to qualifying small businesses and other qualifying organizations in all U.S. states and territories. These working capital loans – available in amounts up to \$2 million – are intended to help qualifying entities continue to meet their ordinary expenses while they are impacted by and recovering from the COVID-19 crisis. The loan funds may be used to pay paid sick leave directly related to COVID-19, fixed debts, payroll, rent, mortgage payments, accounts payable and other obligations that could have been paid had the COVID-19 pandemic not occurred.

Who qualifies?

The loans are available to certain small businesses, cooperatives, ESOPs, Tribal small business concerns, independent contractors and sole proprietorships. Generally, a qualifying entity must have 500 or fewer employees, but eligibility determinations are fact-specific and depend on several factors, including the SBA's size standards (available here) and whether the applicant has affiliations that must be considered in determining eligibility under the size standards.

What are the loan terms?

Loans of up to \$2 million are available with long term repayment options of up to 30 years and an interest rate of 3.75% for small businesses and 2.75% for non-profit organizations. The SBA will not charge fees, and there will be no early payment penalties. Personal guaranties are not required on EIDL advances and loans up to \$200,000. Specific loan terms will be determined on a case-by-case basis. Applicants can request an advance of up to \$10,000, which will be disbursed by the SBA within 3 days of its receipt of an application.

What is the application process and timeline?

Application forms can be obtained and submitted online here. As of March 29, 2020, the SBA is in the process of adding to the application process an option to request the advance of up to \$10,000. Applications submitted before the advance option is available can be re-submitted with the advance request once that option is available on the SBA's website. The SBA anticipates making application decisions within 3-4 weeks of receiving an application, but this timeline is subject to change.

Businesses can apply for an EIDL and a PPP.

A business may apply for an EIDL and a Payroll Protection Program (PPP) loan. If an entity receives both an EIDL and a PPP, the EIDL funds and the PPP funds must be used for different purposes. For instance, the PPP funds could be applied to payroll costs and rent, while the EIDL funds could be used for accounts payable. If a business receives an EIDL loan between January 31, 2020 and the date at which a PPP becomes available, it would be able to refinance the EIDL into the PPP for loan forgiveness purposes. Remaining portions of the EIDL, used for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. In addition, if an EIDL applicant receives an advance amount and is later approved for a PPP loan, the advance amount will be reduced from the loan forgiveness amount under the PPP loan.