

ECONOMIC INJURY DISASTER LOAN

FREQUENTLY ASKED QUESTIONS

Under the Coronavirus Aid, Relief, and Economic Security Act (the “Act”), \$10 billion has been allocated for Economic Injury Disaster Loan (“EIDL”) emergency grants (“EIDL Grant”). Businesses who are eligible for an EIDL are also eligible to apply for an EIDL Grant in an amount up to \$10,000, which will be advanced prior to receiving the full loan amount. In addition, the Act modified the EIDL program to, among other things, expand the scope of covered entities. The following is a compilation of frequently asked questions on the EIDL program and EIDL Grants. The foregoing questions are those we have received, together with questions available from the Small Business Administration (“SBA”).

ELIGIBILITY

1. How do I know if my **business is defined as a small business** under the EIDL program?

- The SBA qualifies your business as a “small business” eligible to receive an EIDL based on the industry of the business, the revenue generated by the business and/or the number of employees working for the business. In addition, eligibility has been expanded to include:
 - Businesses with not more than 500 employees;
 - Tribal businesses;
 - Cooperatives with not more than 500 employees;
 - ESOPS with not more than 500 employees;
 - Any individual operating as a sole proprietor; and
 - An independent contractor during January 31, 2020 to December 31, 2020.
- Also your business must have been directly affected by the disaster, offer services directly related to the business in the disaster declaration or indirectly related to the industry that is likely to be harmed by losses in its community.

2. Are businesses and private non-profits in **my state eligible for an EIDL** related to COVID-19?

- Yes, those suffering substantial economic injury in all 50 states, DC, and the territories may apply for an EIDL.

3. My private **non-profit is not a 501(c)(3)**. Is it still eligible for an EIDL and an EIDL Grant?

- Yes, if you are a private non-profit with an effective ruling letter from the IRS, granting tax exemption under sections 501(c), (d), or (e) of the Internal Revenue Code of 1954, or if you can provide satisfactory evidence from your State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law. However, a recipient that is principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting, or primarily engaged in political or lobbying activities is not eligible to receive an EIDL.

4. Can I apply for an EIDL if my business has been **operational for less than one year**?

- Yes.

5. While I wait for approval for an EIDL, will the SBA provide any **emergency funding**?

- Yes, a borrower applying for an EIDL, can request an EIDL Grant.
- This EIDL Grant is an advance on the EIDL and must be distributed by the SBA within 3 days of the request. The EIDL grant is approximately \$10,000.00.

6. Who is **eligible** for an **EIDL Grant**?

- Those eligible for an EIDL and who have been in operation since January 31, 2020, when the public health crisis was announced.

7. If I am **denied the EIDL**, do I have to **pay back the EIDL Grant**?

- No, applicant will not have to pay back the EIDL Grant even if the applicant is subsequently denied the loan.

APPLICATION

1. How do I **apply**?

- Although applicants were initially encouraged to apply online and download applications at disasterloan.sba.gov/ela, with the overwhelming number of entities applying for an EIDL, the SBA is now encouraging paper filings. Completed applications should be mailed to:

U.S. Small Business Administration
Processing and Disbursement Center
14925 Kingsport Road
Fort Worth, TX 76155

- If you do not have access to a computer, please call 1-800-659-2955 for assistance.

2. What is the EIDL application **filing deadline**?

- The filing deadline is December 31, 2020. However, our advice is to get the application filed as soon as practicable.

3. Where can I get additional **questions answered** about the application process and materials that need to be submitted?

- You can call the national SBA disaster assistance customer service center 1-800-659-2955 or email disastercustomerservice@sba.gov.

4. What do I need to **provide to the SBA to prove temporary loss of revenue**?

- Applicants will most likely be required to provide an internally prepared interim profit-and-loss statement and balance sheet.

5. What are the **credit requirements**?

- Applicants must have a credit history acceptable to SBA. Our understanding is that a minimum credit score of 650 is what the SBA is looking for but will consider alternative methods for determining the applicant's ability to repay.
- Applicants must show the ability to repay the loan.

6. **How long** does it take to receive an EIDL once I submit my application?

- At this time, the amount of time it takes to receive an EIDL after an application is submitted is unclear due to the rapid influx of applications arising from the current health crisis.
- However, we have been advised paper applications, as opposed to online applications, are more likely to be processed in a timely manner.
- We also encourage all applicants to provide all information required by the application because incomplete applications can cause significant delays in processing.

7. Will someone **notify me if my application is missing information**?

- Yes. An SBA loan officer will work with you.

8. How will I know if my **loan has been approved**?

- An SBA loan officer will contact you to discuss the loan recommendation and next steps.
- You will also be advised in writing of all loan decisions.

LOAN AMOUNT AND TERMS

1. **How much** can my company borrow?

- The law limits EIDLs to \$2 million for alleviating economic injury caused by the disaster.
- The actual amount of each loan is limited to the economic injury determined by the SBA, less business interruption insurance and other recoveries up to the administrative lending limit.
- The SBA also considers potential contributions that are available from the business and/or its owner(s) or affiliates.

2. Is it possible to get **more than \$2 million**?

- Yes. If a business is a major source of employment, the SBA has the authority to waive the \$2 million statutory limit.

3. What **security** is required?

- Collateral is required for all EIDLs over \$25,000.
- The SBA takes real estate as collateral when it is available.
- The SBA will not decline a loan for lack of collateral, but SBA will require the borrower to pledge collateral that is available.

4. What is the **interest rate**?

- The interest rate is determined by formulas set by law and is fixed for the life of the loan.
- The maximum interest rate is 3.75% per annum for small businesses and 2.75% for non-profits.

5. What is the **term**?

- SBA offers loans with long-term payments up to a maximum of 30 years.
- Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

6. Do I need to provide a **personal guarantee** for an EIDL?

- The SBA has waived any personal guarantee on advances and loans below \$200,000.
- For loan amounts over \$200,000, the SBA may require personal guarantees.

PERMITTED USES

1. What can the EIDL be used to pay for?

- Fixed debt
- Payroll
- Paid sick leave
- Rent or mortgage payments
- Meeting increased costs to obtain materials and accounts payable and other bills that that can't be paid because of the disaster's impact.
- The loans are not intended to replace lost sales or profits or for expansion.

2. What is **fixed debt**?

- Fixed debt is permanent debt, or debt continuing for an extended period.

OTHER SBA LOANS

1. What if I **already have an EIDL** from a different disaster? Can I **apply for another EIDL** for this disaster?

- Yes but the loans cannot be consolidated.

2. If I get an EIDL and/or an EIDL Grant, can I get a **Paycheck Project Program ("PPP")** loan?

- Yes. Whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL and/or EIDL Grant between January 31, 2020 and June 30, 2020, **you may also apply for a PPP loan**. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the EIDL Grant program would be subtracted from the amount forgiven in the PPP.
- However, you cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.

3. Can I **refinance my EIDL with the PPP** loan?

- Yes. If the business used its EIDL for payroll purposes, you can refinance it with the PPP loan (which is advantageous because a portion of that loan can be forgiven)