

# 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:** A cash advance (grant) of the loan, up to \$10,000, can be provided to the borrower upon request. The grant is provided regardless of whether the borrower is ultimately approved for the loan and does not have to be repaid.
  - *NOTE: In July 2020, the SBA stopped issuing EIDL grants after exhausting its funding limit.*

### APPLICATION PROCEDURES:

- To apply, please visit the SBA’s website [here](#). Borrowers can also request an increase to an existing loan when they log into their SBA EIDL account.
- 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](mailto:disastercustomerservice@sba.gov).

## FURTHER DETAILS

- [SBA Overview](#)
- [U.S. Travel FAQs](#)