

# GILL RAGON OWEN

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## **SBA: Economic Injury Disaster Loan**

In response to the COVID-19 pandemic, small business owners are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000. This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available following a successful application.

This program is for (i) any small business with less than 500 employees\*, including sole proprietorships, independent contractors and self-employed persons; (ii) private non-profit organization; or (iii) 501(c)(19) veterans organizations affected by COVID-19.

### Loan Terms:

- The maximum is a \$2 million working capital loan at a rate of 3.75% for businesses and 2.75% for non-profits with up to a 30-year term;
- Payments are deferred for one year;
- Up to \$200,000 can be approved without a personal guarantee;
- No collateral is required for loans of \$25,000 or less. For loans of more than \$25,000, general security interest in business assets will be used for collateral instead of real estate;
- Approval can be based on a credit score and no first-year tax returns are required; and
- Borrowers do not have to prove they could not get credit elsewhere.

Eligible applicants can receive an emergency grant of up to \$10,000 and the grant amount will depend on the number of the business's employees. For example: 1 employee = \$1,000; 5 employees = \$5,000; and 10 or more employees = \$10,000.

There is no obligation to repay the \$10,000 emergency grant, and it is not necessary to have an approved EIDL to receive the grant<sup>†</sup>. The approved EIDL amounts are not eligible for loan forgiveness and must be repaid. The Paycheck Protection Program created by the CARES Act prohibits borrowers from taking out two loans for the same purpose.

### Use of Funds:

- Fixed debts (rent, etc.)
- Payroll
- Accounts payable
- Some bills that could have been paid had the disaster not occurred.

The EIDL amount is based on actual economic injury and is intended to cover 6 months of operational expenses.

The SBA has noted that it is taking longer to process these applications and so it could be several weeks before receiving funds.

**[You can apply online at SBA.gov/disaster.](https://www.sba.gov/disaster)**

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\* Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.

<sup>†</sup> If you are able to secure a PPP loan, the \$10,000 grant will be subtracted from the forgiveness amount.