

Economic Injury Disaster Loan

This presentation is for general informational purposes only and is not legal advice. Viewers should consult their attorney, accountant, lender, and payroll provider to make determinations regarding their organization's specific eligibility and to ensure compliance with all applicable laws and regulations.

EIDL

What is the Economic Injury Disaster Loan?

- The Economic Injury Disaster Loan ("EIDL") is a Small Business Administration ("SBA") loan program that has been adapted for use to address the COVID-19 crisis.
- Organizations apply through the SBA website.
- Congress authorized \$60 Billion in EIDL funding on April 23, 2020, \$10 Billion of which, is reserved for emergency grants that do not have to be repaid.

What is the Emergency Grant?

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- Applicants can request an emergency grant alongside their loan application for \$1,000/employee up to \$10,000.
- Grant funds do not have to be repaid, even if the loan application is unsuccessful. Note that there also is no obligation to take the loan if it is awarded.
- Grant funds should be used:
 - to provide sick leave to employees unable to work due to COVID-19;
 - to maintain payroll and retain employees;
 - to meet increased costs due to interrupted supply chains;
 - to make rent or mortgage payments; and
 - to repay obligations that cannot be met due to losses in revenue.

What are the terms of an EIDL?

EIDL

- No loan forgiveness (though the emergency advance or "grant" of \$10,000 does not have to be repaid).
- Maximum loan amount of \$2,000,000 with a maximum term of 30 years.
- Unsecured up to \$25,000.
- Interest rates for businesses are 3.75% and 2.75% for nonprofits.
- Funds can be used to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.
- Payments of principal and interest can be deferred for 12 months (interest will accrue during this period).

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Who is eligible for an EIDL?

- Small Business Concerns;
- Eligible only if 500 or less employees or satisfy SBA employee-count size standards:
 - Business concerns;
 - a cooperatives;
 - an Employee Stock Ownership Plan;
 - a tribal small business concern; and
 - agricultural enterprises.
- Eligible regardless of employee-count:
 - Nonprofits (501(c)(d) and (e), excluding those that are primarily engaged in lobbying or political activities.
 - Includes faith-based organizations that satisfy 501(c)(3) requirements.
- In order to qualify for an EIDL, these entities must be located within a declared disaster area; and have suffered, or be likely to suffer, substantial economic injury as a result of the disaster.

EIDL

Who is eligible for an EIDL?

- When counting employees, an organization MUST:
 - Include the average number of employees for each pay period for the preceding 12 months (with variations for seasonal businesses or organizations that were not operating from Feb.15, 2019- June 20, 2019);
 - Count all FTE, PTE, and temporary employees (but not independent contractors); and
 - Aggregate employees of affiliates.
 - No “affiliation” exemptions appear to be provided.

How does the EIDL interact with the PPP?

EIDL

- Organizations can receive EIDL and PPP loans BUT may not use the proceeds of one for the same purposes as the other.
- EIDL loans made between February 15, 2020 and June 30, 2020 can be refinanced into PPP loans that can be forgiven.
- Emergency Grants cannot be refinanced into PPP loans.

EIDL

What if I need help?

- Applicants should work closely with their local SBDC office, accountant, payroll provider, and attorney to determine their eligibility for an EIDL and whether an EIDL is right for them.
- Because every organization's situation is unique it is important that you seek appropriate advice before taking or refraining from taking any action as a result of this presentation.



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