

U.S. Small Business Administration

Standard Information Brief on EIDL Program

Economic Injury Disaster Loans

Economic Injury Disaster Loans

If your small business is in a declared disaster area and has suffered substantial economic injury, you may be eligible for an EIDL.

Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses.

EIDLs provide the necessary working capital to help small businesses until normal operations resume.

Economic Injury Disaster Loans

Coronavirus (COVID-19)

The U.S. Small Business Administration's (SBA) low-interest Economic Injury Disaster Loans (EIDLs) are now available to small businesses, small agricultural cooperatives, small aquaculture businesses and private nonprofit organizations affected by the loss of revenue due to the Coronavirus.

SBA Administrator Jovita Carranza made the loans available in response COVID-19.



Administrator Jovita Carranza

Economic Injury Disaster Loans

EIDLs are available to small businesses small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations

Examples of eligible businesses:

- **Businesses directly affected by the disaster**
- **Businesses that offer services directly related to the businesses targeted in the declaration**
- **Other businesses indirectly related to the industry that are likely to be harmed by losses in their community**



Economic Injury Disaster Loans

- Help meet working capital needs caused by the declared disaster
- Help pay financial obligations and operating expenses which could have been paid had the disaster not occurred
  - Fixed debt payments, payroll, accounts payable, etc. Extraordinary expenses caused by the disaster
- EIDLs do not replace lost revenue, lost profits or fund expansion



Economic Injury Disaster Loans

Available Loan Terms



- **Loan amounts and terms (up to 30years) are set by SBA and based on each applicant's financial condition.**
- **EIDL assistance is available only to small businesses when SBA determines they are unable to obtain credit elsewhere.**
- **Economic Injury Disaster Loans are limited to $2,000,000, less business interruption insurance and other recoveries.**
- **Apply online for an SBA EIDL.**

Economic Injury Disaster Loans

Credit Requirements





Credit History

- **Applicants must have a credit history acceptable to SBA.**

Repayment

- **Applicants must show the ability to repay all loans.**

Economic Injury Disaster Loans



Collateral Requirements

- **EIDLs over $25,000 require collateral**
- **SBA takes real estate as collateral when it is available**
- **SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available.**

Economic Injury Disaster Loans

Filing Requirements

- Completed application (SBA Form 5).
- Tax Information Authorization (IRS Form 4506T)

  for the applicant, principals and affiliates.
- Complete copies of the most recent Federal income tax returns for the applicant business; and an explanation if not available.
- Personal Financial Statement (SBA Form 413).
- Schedule of Liabilities (SBA Form 2202).

Economic Injury Disaster Loans

Additional Information May Be Necessary To Process Your Application.
If Requested, Please Provide Within 7 Days Of The Information Request:

- **Complete copy, including all schedules, of the most recent Federal income tax return for each principal owning 20 percent or more, each general partner or managing member, and each affiliate when any owner has more than 50 percent ownership in the affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management.**
- **If the most recent Federal income tax return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year**
- **A current year-to-date profit –and-loss statement**
- **Additional Filing Requirements (SBA Form 1368) providing monthly sales figures for will generally be required when requesting an increase in the amount of economic injury.**

Economic Injury Disaster Loans

EIDL Eligibility

Determining eligibility for an EIDL begins with a four-part test:

- **Location**
- **Business Activity**
- **Size**
- **Independently Owned and Operated Business**

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Location

- **The applicant business must have a physical presence in the declared disaster area.**
- **An applicant's economic presence alone in a declared area does not meet this requirement.**
- **The physical presence must be tangible & significant. Merely having a P.O. Box in the disaster area would not qualify as a physical presence.**

Economic Injury Disaster Loans

Business Activity

- **Primary Activity - The primary industry of the applicant & its affiliated group must be an otherwise eligible activity for the applicant to be eligible, regardless of the nature of the loss activity. (Primary activity based on revenues the year preceding the disaster)**
- **Loss Activity – The activity for which the loss is being claimed must be eligible.**

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Size

- **The size of the applicant alone (without affiliates) must not exceed the size standard for the industry in which the applicant is primarily engaged; and**

- **The applicant combined with its affiliates must not exceed the size standard for either the primary activity of the applicant alone or the primary industry of the applicant and its affiliates, whichever is higher.**

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Independently Owned and Operated

- **Substantial business risk – The principals must have a business risk resulting from investing in facilities and equipment and by incurring ongoing expenses, which must be paid regardless of whether the operation generates a profit (example: a crew member on a fishing boat would not be eligible).**

- **Free from significant control – The applicant business must be free from significant control by other concerns (e.g., the customers or businesses that pay for its services).**

- **Effect of IRS Guidelines – Merely filing a Schedule C with the Federal Tax Return does not qualify the individual as an independently owned and operated business.**

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Ineligible EIDL Applicants

- **Religious Organizations**
- **Charitable Organizations**
- **Consumer and Marketing Cooperatives (Except small agricultural Co-Ops)**
- **Gambling Concerns**

(Ex: Concerns that derive more that one-third of their annual gross revenue from legal gambling activities)

- **Casinos & Racetracks**

(Ex: Businesses whose purpose for being is gambling (e.g., casinos, racetracks, poker parlors, etc.) are not eligible for EIDL assistance regardless of 1/3 criteria above.

- **Concerns Engaged in Illegal Activities**
- **Lending or investment concerns**

Economic Injury Disaster Loans

Ineligible EIDL Applicants (cont.)

- **Speculative Activities**
- **Pawn Shops**

(Ex: If 50% or more of previous years income was derived from interest they are not eligible)

- **Real Estate Developers**

(Ex: engaged in subdividing real property into lots and developing it for resale on their own account)

- **Multi-Level Sales distribution (Pyramid) concerns**
- **Loan Packagers who derive 30% or more of their annual income from the preparation of applications seeking financial assistance from SBA.**
- **Concerns with principals incarcerated, on parole or probation. – The concern remains ineligible if the parole or probation is lifted solely because it is an impediment to obtaining a loan.**

Economic Injury Disaster Loans

Ineligible EIDL Applicants (cont.)

- **Government owned entities – except for businesses owned or controlled by a Native American tribe.**
- **Political or Lobbying Concerns**
- **Concerns engaged in the sale of products or Services or Live performances of a prurient sexual nature.**
- **Concerns not located in a declared disaster area**
- **Concerns determined by SBA to have credit available elsewhere.**
- **<u>Concerns involved in change in ownership situations</u> – entities which had a substantial change of ownership (more than 50%) after the impending economic injury became apparent, and no contract of sale existed prior to that time are ineligible.**
- **<u>Concerns established Post-Disaster</u> – If a small concern was established after an impending economic injury became apparent, the owner assumed the risk and did not incur economic injury.**

Economic Injury Disaster Loans

Ineligible Uses of EIDL Loan Proceeds (cont.)

- **Refinancing long term debt.**
- **Paying down (other than regular installment payments) or paying off loans provided, guaranteed, or insured by another Federal agency or a Small Business Investment Company. Federal Deposit Insurance Corporation (FDIC) and Resolution Trust Corporation (RTC) are not considered Federal agencies for this purpose.**
- **Payment of any part of a direct Federal debt, (including SBA loans) except IRS obligations.**
- **If a direct Federal debt is delinquent, SBA must have written documentation from the appropriate Federal agency explaining how the delinquency will be cured.**

SBA Office of Disaster Assistance Contacts for the Public

For More Information about SBA disaster assistance programs, go to:
www.sba.gov/disaster
Or, contact SBA's Customer Service Center at:
1-800-659-2955 / 1-800-877-8339 (TTY)
Or by email at:
disastercustomerservice@sba.gov

COVID-19 Specific Outreach Material

Approved Outreach Material

1. Handout (one-pager) on EIDL assistance for Coronavirus: attached
2. SBA talking points for Coronavirus: will be sent in separate email update
3. Draft press release announcement for new EIDL declarations: attached
4. SBA EIDL declaration information for Coronavirus: link coming soon on www.sba.gov/disaster
5. SBA non-disaster resources for Coronavirus: www.sba.gov/coronavirus