

The U.S. Small Business Administration Economic Injury Disaster Loan Application Process

How to Apply for an EIDL Loan:

- Qualifying small businesses and non-profits operating in Virginia, or in other states or territories covered by an U.S. SBA Economic Injury Disaster Loan assistance declaration related to the Coronavirus/COVID-19 pandemic disaster, should submit applications for EIDL loans online, through the U.S. SBA's website at:

<https://disasterloan.sba.gov/ela/Account/Login?ReturnUrl=%2Fela%2FLoanApplication%2FStartApplication>

- As part of the EIDL application process, a small business applicant must submit a signed and dated IRS Form 4506-T, which allows the IRS to release the applicant's tax returns for the previous tax year to the U.S. SBA.

Timing:

- The U.S. SBA goal seeks to review and process EIDL loan applications within 21 days of receipt of a complete application from a qualifying Small Business or non-profit.
 - The U.S. SBA mails loan documents to the qualifying Small Business to be signed and returned to the U.S. SBA by U.S. Mail.
 - Funds will be submitted to qualifying Small Businesses by wire transfer within two (2) business days of receipt of executed loan documents by the U.S. SBA.
- EIDL loan applicants can help ensure efficient review and processing of their applications by the U.S. SBA by confirming that they include all required and necessary information with their application materials at the time they submit their application to the U.S. SBA and confirming that the submitted information is accurate at the time of submission.
- If an application is deemed incomplete, or the submitted information is deemed insufficient, an applicant has six (6) months to supplement and update the information submitted to the U.S. SBA and reapply for an EIDL loan.

U.S. Small Business Administration Economic Injury Disaster Loan Program Summary

Who is eligible for a U.S. SBA EIDL Loan?

- Small businesses, small agricultural cooperatives, small aquaculture businesses, and private non-profit organizations (not including religious organizations) who have suffered a "substantial economic injury" as a result of the Coronavirus/COVID-19 pandemic.
- Traditionally, the U.S. SBA evaluates EIDL applications to determine if an applicant small business is unable to obtain credit from alternate sources.
 - However, at present, as restrictions related to limitations on access to alternative credit have been relaxed by the federal government.

- **Until further notice, a Small Business does not have to wait until it has run out of alternative sources of credit or exhausted all of its available credit to apply for an EIDL loan from the U.S. SBA.**
- **Small Businesses are encouraged to apply for private loans from traditional lending sources, like banks and credit unions, and EIDL loans from the U.S. SBA at the same time.**
 - The rule-of-thumb for applying for a U.S. SBA EIDL loan during the Coronavirus/COVID-19 pandemic:
 - Small Businesses should go ahead and apply for such a loan, if they think that such a loan:
 1. Could help them meet their operating expenses in 2020;
 2. May help them avoid laying-off or furloughing employees, in 2020; and
 3. They anticipate that they otherwise may have trouble meeting their operating expenses, and likely would have to lay-off or furlough employees, in 2020, as a direct result of the temporary loss of revenue caused by the Coronavirus/COVID-19 pandemic, without access to EIDL loan funds.
- “Substantial economic injury” means the applicant small business or non-profit presently is unable to meet its obligations to pay its ordinary and necessary operating expenses, such as rent or payroll.
 - Please note that neither a reduction in a small business’s profits, nor a loss of anticipated sales are sufficient to establish “substantial economic injury” required to qualify for an EIDL through the U.S. SBA.
 - The focus of the U.S. SBA EIDL program is about enabling Small Businesses to pay expenses during a time of unanticipated crisis, not replace lost profits.
- The company must be a “small business” with fewer than 500 employees and annual revenue under \$50,000,000.
- Each individual Small Business with its own distinct federal tax identification number (and “EIN”) may submit a separate EIDL application to the U.S. SBA, even if two or more Small Businesses are closely related entities.

What are the terms of a U.S. SBA EIDL loan?

- Depending on a qualifying small business’s circumstances and qualifications, the U.S. SBA, through the VA SBDC Network, will make loans up to \$2,000,000.00 available to meet financial obligations and operating expenses that could have been met by the qualifying Small Business or non-profit organization had the Coronavirus/COVID-19 pandemic disaster not occurred.

- Factors considered by the U.S. SBA in issuing an EIDL loan and determining the initial principal amount of the EIDL loan:
 - Six months of the Small Business's operating expenses from 2019;
 - The Small Business's total debt obligations;
 - The aggregate amount of operating expenses that mature during the period impacted by the Coronavirus/COVID-19 pandemic disaster and the small business's anticipated working capital needs during the same period; and
 - Expenses the qualifying small business could have met at a working capital position it could have maintained had the Coronavirus/COVID-19 disaster not occurred.
- If a qualifying Small Business's circumstances change after the U.S. SBA sets the initial principal amount of an awarded EIDL loan, the applicant may request additional loan funds from the U.S. SBA.
- Interest Rates: The applicable interest rates for EIDL loans are:
 - 3.75% for small businesses; and
 - 2.75% for non-profits.
- Credit History: Applicants for EIDL loans must have a credit history acceptable to the U.S. SBA and be able to show their ability to repay the U.S. SBA.
- Collateral: All EIDL loans for initial principal amounts greater than \$25,000.00 require some formal collateral to secure the qualifying small business's debt obligation to the U.S. SBA.
 - Real estate is an acceptable form of collateral.
 - Although the U.S. SBA will not reject an application for an EIDL loan solely for lack of collateral, small business applicants are required to pledge whatever collateral is available to them.
- Term of Loan:
 - The term of an EIDL loan is 30 years.
- Deferment of Loan Repayment:
 - At present, Small Businesses may defer payments on EIDL loan balances for periods of up to one year.
 - However, interest on outstanding EIDL loan balances will accrue during any period of deferment.
 - Currently, recipients of EIDL loans are not able to seek or obtain loan forgiveness.

- Financial Statements and Personal Guarantees:
 - The U.S. SBA requires submission of a personal financial statement for each partner, officer, director and stockholder with 20% or greater ownership in the applicant small business with the EIDL loan application.
 - Applicants are required to submit copies of their 2019 federal tax returns, if available, with their EIDL loan applications.
 - The U.S. SBA generally requires personal guarantees from the principals of the applicant small business.

- Additional Documentation of Losses:
 - In order for the SBA to understand an applicant small business's current financial condition relative to its financial condition during a period of normal operations, an applicant small business must furnish balance sheets and profit and loss statements for a similar time period, to serve as a point of reference for the U.S. SBA.
 - The U.S. SBA will request an applicant small business to submit such comparative financial statements during the EIDL loan application process.

- Restriction on Use of EIDL Loan Funds:
 - The U.S. SBA makes EIDL loans for specific and designated purposes.
 - Small business borrowers in receipt of EIDL loan funds must use the such funds for the particular purposes designated by the U.S. SBA, such as to for working capital, and to meet ordinary expenses, such as payroll, accounts payable, fixed debts, and other bills that can't be paid due to the impact of the Coronavirus/COVID-19 pandemic.
 - Small business borrowers in receipt of EIDL loan funds are prohibited from using such loan funds for purposes outside of those parameters designated by the U.S. SBA.
 - For example, a small business borrower cannot use EIDL loan funds to expand or diversify its business operations.

- Insurance: The U.S. SBA may require a qualifying small business borrower to obtain appropriate insurance coverages, in order to secure repayment of the EIDL loan and protect the borrower.