

SBA Economic Injury Disaster Loan (EIDL) Program Fact Sheet

Last Updated February 5, 2021

Small businesses, sole proprietors and self-employed individuals suffering substantial economic injury may be eligible for an Economic Injury Disaster Loan (EIDL) or an EIDL grant advance to meet necessary financial obligations and operating expenses.

ELIGIBILITY AND KEY TERMS

Principal Amount: Six months of working capital, up to 150k

Interest Rate: 3.75% for businesses (2.75% for nonprofits)

Use of Proceeds: Must be used for working capital and ordinary operating expenses, i.e., expenses the business would have paid if the disaster had not occurred (e.g., fixed debts, payroll, accounts payable, other bills)

Term: Up to 30 years (determined on a case-by-case basis) with payments deferred for one year

Collateral: Collateral required for loans > \$25,000

Personal Guarantee: Not required for loans <\$200,000

Business Size: The business must meet an industry-specific limit (usually under 500 employees)

Business Type: (1) must be independently owned and operated; (2) certain business types (e.g., gambling) are excluded; (3) business must have been in operation on January 31, 2020

Impact: The business must have suffered economic injury in connection with COVID-19

Credit: SBA must find credit history acceptable and applicants must demonstrate the ability to repay loans

EIDL TARGETED GRANT ADVANCE

Certain small businesses may be eligible for an EIDL **targeted advance (i.e., a grant)** of up to \$10,000. *This program is different from the previous EIDL advance program that closed in 2020.* EIDL advances are not included in taxable income.

Eligible businesses must:

- 1) be eligible for loans under the EIDL program,
- 2) be applying for or have applied for a loan under the EIDL program,
- 3) be located in a low-income community (the SBA will determine whether your business qualifies based on your business address),
- 4) have suffered an economic loss of greater than 30% during an 8-week period beginning on or after March 2, 2020 relative to a comparable 8-week period immediately preceding March 2, 2020 or during 2019,
- 5) employ not more than 300 employees, and
- 6) not be an agricultural enterprise.

At this time, there is no action to take to request a grant advance. The SBA will email EIDL applicants who qualify from an “@sba.gov” address.

First, the SBA will contact businesses that have already received a partial advance (less than \$10,000) in 2020, starting February 1, 2021. The SBA is expected to offer those eligible businesses the remainder of the grant amount, up to the \$10,000 total.

Second, after the SBA has contacted the first group of potentially eligible businesses, the SBA will contact businesses that on or before December 27, 2020, applied for an EIDL advance but did not receive one because funds were not available. The SBA will announce the projected start date for this second round of outreach at a later date.

Currently, the SBA does not plan to open the targeted advances to businesses beyond those in the two groups described above.

The targeted advance is a grant and does not need to be repaid. The advance can be used for maintaining payroll, providing sick leave to employees, meeting increased costs to obtain materials, making rent or mortgage payments, or repaying obligations that cannot be met due to revenue losses, in addition to any other purpose for which a loan under the EIDL program may be used.

NO DEDUCTION OF EIDL GRANTS FROM PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

A small business that receives both an EIDL advance and Paycheck Protection Program (PPP) loan is **no longer required** to deduct the amount of the EIDL advance from the PPP loan forgiveness amount. The latest legislation removed the previous rule that required the deduction. This change applies retroactively to past borrowers.

For PPP loans that were forgiven before this new legislation, the SBA will remit a reconciliation payment to PPP lenders for EIDL advances previously deducted. PPP lenders will be responsible for notifying borrowers of these reconciliation payments and either re-amortizing the loans or notifying the borrowers that the loan has been paid in full (or if the amount so remitted exceeds the remaining principal of the loan, remitting the excess to the borrowers).

APPLYING FOR AN ECONOMIC INJURY DISASTER LOAN

Visit <https://covid19relief.sba.gov/#/> to apply online. The deadline to apply is December 31, 2021.

The SBA states that to be eligible, prospective borrowers must be “US citizens, non-citizen nationals, or qualified aliens.” Before applying, gather the following information (additional information may be requested prior to loan closing):

- EIN number for the business (your SSN, for sole proprietorships)
- Social Security number, ownership percentage, birth date, place of birth, citizenship status, and residential address for each owner
- Gross revenues for the 12 months prior to January 31, 2020
- Cost of goods sold for the 12 months prior to January 31, 2020
- Compensation from other sources received as a result of the disaster
- Date the business was established
- Direct deposit information

The SBA advises businesses that may be eligible for a targeted advance, to (1) file their 2019 federal tax returns (if not yet completed) and (2) gather monthly gross receipts from January 1, 2019 through the most recent month-to-date period, as this information will help to determine eligibility.

CONTACT

SBA disaster assistance customer service can be reached at 1-800-659-2955 or disastercustomerservice@sba.gov. For more information: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>.