



SBA Economic Injury Disaster Loans and Emergency Economic Injury Grants Available as a Result of COVID-19

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What is an SBA Economic Injury Disaster Loan? The SBA Economic Injury Disaster Loan Program (“EIDL”) is a loan program administered by the U.S. Small Business Association (“SBA”), which offers low interest disaster loans of up to \$2 million, to support working capital needs for small businesses suffering economic injury as a result of COVID-19. The amount that can be borrowed by a business will be determined by SBA’s assessment of that company’s business losses resulting from COVID-19. *The standards described in this fact sheet apply to loans made during the period beginning January 31, 2020 and ending December 31, 2020. The terms and conditions of the EIDL program have been modified by the newly-enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act).*

What is an SBA Economic Injury Grant? SBA Emergency Economic Injury Grants are grants of up to \$10,000, available through the SBA, for businesses that have been harmed by COVID-19 and have applied for an EIDL. These grants are available upon request, within three days of applying for an EIDL, and they do not have to be repaid, even if the application for the EIDL loan is denied.

What businesses are eligible? The following types of small businesses are generally eligible for an EIDL, *provided that they have been in operation since January 31, 2020 (the CARES Act has waived the typical requirement that the business be in operation for 1 year prior to the disaster):*

- Business entities (including sole proprietorships, with or without employees)
- Independent contractors
- Cooperatives and employee-owned businesses
- Private non-profits
- Tribal small businesses

How do I know if my business qualifies as a “small” business? Generally, a business of 500 employees or fewer will qualify as a “small” business. However, you should visit <https://www.sba.gov/size-standards/> to find out if your business meets SBA’s small business size standards. You will need your 6-digit North American Industry Classification System (NAICS) code and your business’s 3-year average annual revenue.

Do I need to be able to demonstrate ability to repay the loan? The CARES Act has relaxed some of the typical SBA standards that require the applicant to demonstrate ability to repay the loan. EIDL loans may now be approved solely on the basis of an applicant's credit score or by use of alternative methods to gauge the applicant's ability to repay.

Do I need to be able to show that I don't have access to credit elsewhere? The CARES Act waives the typical SBA requirement that the business not have access to credit elsewhere.

What can you use the money for? You can use the EIDL Loan and/or grant to alleviate economic injury resulting from COVID-19, including the payment of payroll, sick leave, accounts payable, fixed debt service, rent, increased supply chain costs, and other expenses that you would have been able to pay if the business had not been affected by COVID-19.

What are the terms? The terms of an EIDL Loan are determined on a case-by-case basis. But, generally, the terms are:

- Interest rate of 3.75% for for-profit businesses and 2.75% for non-profits.
- Term of up to 30 years.
- Collateral is generally required for loans in excess of \$25,000, if the borrower has collateral to pledge.
- No prepayment penalty.
- Personal guaranties will generally not be required on loans of up to \$200,000.

How do I apply? Applications are to be made directly to the SBA (not to local SBA lenders). The application is available at <https://www.sba.gov/page/disaster-loan-applications>. EIDL loans are funded directly by the U.S. Treasury.

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Please contact Jason J. Herron, Esquire at jherron@wispearl.com or (610) 825-8400 for more information on how we can help you today with your business.

This article represents our best effort to assemble accurate information on an accelerated basis. However, the subject is complex, and many details have been summarized or omitted in the interest of focusing on key points. In addition, the law and the guidance issued by the government is constantly changing. You should not rely on the accuracy or completeness of this information for your business and personal decisions but, rather, should seek updated, personalized legal advice as needed.

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