

EIDL EXPECTATIONS

So, you've applied (or will soon apply) for an SBA Economic Injury Disaster Loan (EIDL). What happens now?

Be sure to retain a screenshot of the Application Confirmation number that appeared at the end of the application, or at least write it down in a safe place. Keep these things in mind: 1) Although there is a "grant" element to the EIDL (the "advance"), you are applying for a government **loan**, which will be processed and underwritten just like any other loan and will need to be repaid; 2) Loan applications can be delayed or denied. Have a back-up plan; and 3) This is a preliminary application. The forms you filled out on the SBA EIDL application portal are only the **beginning** of the EIDL process.

It is likely you will not hear anything directly from the SBA for several weeks. Don't feel abandoned or lose hope! The SBA received millions of applications and is making their way through the backlog with a small but hardworking staff. The first indication that your preliminary application has been successfully received should be a deposit in your bank account (the one you entered in the EIDL portal) with the label "SBATREAS." This is the EIDL "Advance" which should be equal to \$1,000 per employee, up to \$10,000. Receiving the Advance does **not** mean your loan application has been fully processed or approved. You will never be required to repay the Advance, even if your EIDL is eventually denied, or you refuse the EIDL loan offered by the SBA.

Sometime after the "Advance" funds are deposited, you may receive an email from the SBA that includes your application number and a request for additional information needed to continue the EIDL loan process. Be ready for an SBA request for additional information. EIDL applicants are encouraged to prepare and have electronically available the business financial information you should know about your business anyway. Click [here](https://bit.ly/COVIDLoanPrep) (https://bit.ly/COVIDLoanPrep) for a list of the information to prepare for any loan application.

EIDL Processing

Once all required documents are provided to the SBA, the primary criteria the SBA will consider is an acceptable credit history and an ability to repay the SBA loan. To qualify for an EIDL under the CARES Act, the applicant must have suffered "substantial economic injury" from COVID-19. EIDLs under the CARES Act are based on a company's actual economic injury determined by the SBA, less any recoveries such as insurance proceeds, and any other loans or grants received to mitigate the economic injury, including the EIDL Advance amount. EIDL loans under the CARES Act up to \$200,000 do not require personal guarantees or collateral. Loans above \$200,000 will require personal guarantees and collateral (if available). The CARES Act waives the requirement for the borrower to demonstrate that it is unable to obtain credit elsewhere. Further, the SBA has the authority to approve a loan based solely on the credit score of the applicant or other means of determining the applicant's ability to repay the loan, without requiring the submission of tax returns, which should expedite approval of some EIDL applications.

If approved, the borrower will be notified of an EIDL final offer by SBA and assigned to a loan officer. The loan officer may require the completion of additional SBA loan forms and may require some of the financial information mentioned above. If more funds are needed, borrowers can submit supporting documents and a request for an increase. If less funds are needed, applicants can request a reduction in

the loan amount. If the business no longer requires the EIDL, they can refuse it and may keep the EIDL Advance.

If the loan request is denied, the applicant will be given up to six months in which to provide new information and submit a written request for reconsideration. The Advance may be kept if the EIDL is denied.

Use of Funds

EIDLs may be used for payroll and other costs such as fixed debts like rent, accounts payable, as well as to cover increased costs due to supply chain interruption, and to pay obligations that cannot be met due to revenue loss.

EIDL may **not** be used for dividends and bonuses, disbursements to owners (unless for performance of services), repayment of stockholder/principal loans (with exceptions), expansion of facilities or acquisition of fixed assets, repair or replacement of physical damages, refinancing long term debt, paying down (including regular installment payments) or paying off loans provided or owned by another Federal agency (including SBA) or a Small Business Investment Company, payment of any part of a direct Federal debt (including SBA loans) except IRS obligations, or relocation.

Loan Terms

Maximum loan is \$2 million. The interest rate on EIDLs is 3.75% fixed for small businesses and 2.75% for nonprofits. The EIDLs have up to a 30-year term and amortization (determined by SBA on a case-by-case basis).

Interaction with PPP

Companies that have already applied for or received EIDLs due to economic injury attributable to the COVID-19 pandemic can seek to refinance their EIDLs under the PPP to take advantage of the PPP's loan forgiveness provisions. However, while businesses may be eligible for loans under both programs, they cannot utilize EIDL proceeds for the same costs that are covered by a PPP loan. The amount of the EIDL advance received will be deducted from any loan forgiveness amounts under a PPP loan.