



COVID-19: Economic Injury Disaster Loans (EIDL) & EIDL Advance

Background

The Coronavirus Aid, Relief, and Economic Security Act (CARES) expands the eligibility to access [Economic Injury Disaster Loans](#) (EIDL) for businesses with fewer than 500 employees. It also provides funds for emergency grants to be advanced to EIDL applicants. EIDL is funded directly through the Small Business Association (SBA).

EIDL Eligibility

- Businesses with < 500 employees, including:
 - Sole proprietorships
 - Independent contractors
 - Self-employed persons
- Collateral required for loans >\$25,000
- Personal guarantee required for loans >\$200,000
- Businesses may qualify for loans up to \$2 million
 - Amount based on economic injury suffered less any recoveries (e.g. insurance proceeds)
- Credit and ability to repay are taken into account for the loan, but not for EIDL Advance.

EIDL Terms and Repayment

- Interest Rates
 - 3.75% for small businesses
 - 2.75% for nonprofits
- Repayment
 - 1-year deferment (interest will accumulate)
 - Maximum 30-year term

Using EIDL in Your Practice

- These are working capital loans, meaning they can be used on the following:
 - Fixed debts (e.g. mortgage)
 - Payroll
 - Accounts payable
 - Other bills that could have been paid had the disaster not occurred
- You *cannot* use EIDL to:

- Replace profits or fund expansions
- Refinance pre-existing debt
- Double-dip with other COVID relief programs. Ex: You can't use EIDL for qualified sick and family leave wages if you're taking a tax credit for those under the Families First Coronavirus Response Act.

EIDL Advance Does Not Need to Be Repaid

Borrowers applying for EIDL can request an advance on the loan of up to \$10,000 from the SBA.

- The borrower will not be required to repay the up to \$10,000 advance, even if they are subsequently denied for an EIDL.
- The amount of your up to \$10,000 advance, which you request when you fill out your EIDL application, is determined by the number of employees you have at \$1,000 per employee.
- SBA is seeking to distribute the Emergency EIDL within 3 days of request.

You Can Apply for a PPP Loan Too

You can apply for a PPP loan in addition to an EIDL, so long as you don't use the funds from each loan for the same expenses. For example, if you decide to apply for a PPP loan and use those funds strictly for payroll, you cannot subsequently use funds from an EIDL for payroll, as well.

- If you have an EIDL and are then also granted a PPP Loan and you have used the EIDL for payroll, you must refinance it into the PPP loan.

If you ultimately receive a Paycheck Protection loan or refinance an EIDL into a Paycheck Protection loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the Paycheck Protection Program.