SBA’s Economic Injury Disaster Loan Program

The U.S. Small Business Administration (SBA) is offering low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).

What businesses are eligible to apply?
SBA’s Economic Injury Disaster Loans (or working capital loans) are available to small businesses, small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations. This includes:
- Businesses directly affected by the disaster
- Businesses that offer services directly related to the businesses in the declaration
- Other businesses indirectly related the industry that are likely to be harmed by losses in their community

What is the criteria for a loan approval?
- Credit History - Applicants must have a credit history acceptable to SBA.
- Repayment – SBA must determine that the applicant business has the ability to repay the SBA loan.
- Eligibility – The applicant business must be physically located in a declared county and suffered working capital losses due to the declared disaster, not due to a downturn in the economy or other reasons.

How much can you borrow?
- Eligible entities may qualify for loans up to $2 million.
- The interest rates for this disaster are 3.75 percent for small businesses and 2.75 percent for nonprofit organizations with terms up to 30 years.
- Eligibility for these working capital loans are based on the size (must be a small business) and type of business and its financial resources.

How can you use the loan funds?
- These working capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred. The loans are not intended to replace lost sales or profits or for expansion.

What are the collateral requirements?
- Economic Injury Disaster Loans over $25,000 require collateral.
- SBA takes real estate as collateral when it is available.
- SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available.

What kinds of small businesses can apply?
Examples of eligible industries include but are not limited to the following: hotels, recreational facilities, charter boats, manufactures, sports vendors, owners of rental property, restaurants, retailers, souvenir shops, travel agencies, and wholesalers.

What other criteria is involved?
The applicant business must have a physical presence in the declared disaster area. An applicant’s economic presence alone in a declared area does not meet this requirement. The physical presence must be tangible and significant. Merely having a P.O. Box in the disaster area would not qualify as a physical presence.
SBA’s Economic Injury Disaster Loan (EIDLs) funds come directly from the U.S. Treasury. Applicants do not go through a bank to apply. Instead apply directly to SBA’s Disaster Assistance Program at: DisasterLoan.sba.gov

There is no cost to apply. There is no obligation to take the loan if offered. The maximum unsecured loan amount is $25,000. Applicants can have an existing SBA Disaster Loan and still qualify for an EIDL for this disaster, but the loans cannot be consolidated.

Basic Filing Requirements:
- Completed SBA loan application (SBA Form 5 or 5C).
- Tax Information Authorization (IRS Form 4506T)
for the applicant, principals and affiliates.
  - Complete copies of the most recent Federal Income Tax Return.
  - Schedule of Liabilities (SBA Form 2202).
  - Personal Financial Statement (SBA Form 413).
Other Information may also be requested.

What are some of the businesses that are ineligible for an Economic Injury Disaster Loan?
- Agricultural Enterprises -If the primary activity of the business (including its affiliates) is as defined in Section 18(b)(1) of the Small Business Act, neither the business nor its affiliates are eligible for EIDL assistance.
- Religious Organizations
- Charitable Organizations
- Gambling Concerns (Ex: Concerns that derive more that 1/3 of their annual gross revenue from legal gambling activities)
- Casinos & Racetracks (Ex: Businesses whose purpose for being is gambling (e.g., casinos, racetracks, poker parlors, etc.) are not eligible for EIDL assistance regardless of 1/3 criteria above.

How to Apply
- Applicants may apply online using the Electronic Loan Application (ELA) via SBA's secure website at https://disasterloan.sba.gov/ela.

For assistance, contact the SBDC:
https://thincubator.co/intake/