

# Understanding the Economic Injury Disaster Loan and Loan Advance Programs (CARES Act)

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~~APRIL 12, 2020~~ APRIL 28, 2020 (ROUND 2)

# COVID-19 and the SBA EIDL Process

## *Financial Tools & Resources to Help Small Business*

Additional \$60 billion for the Economic Injury Disaster Loan/Grant program approved.



### Coronavirus Relief Options

*We're here to help you overcome the challenges created by this health crisis. We offer multiple funding options for those seeking relief. Read more below.*

# CARES Act

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- The Coronavirus Aid, Relief, and Economic Security Act provided the Small Business Administration (SBA) with several programs and initiatives to financially assist small businesses, certain non-profits and other employers as well as some additional tax provisions that are outside the scope of the SBA
- My focus today will be on the **Economic Injury Disaster Loan and Emergency Advance**

# CARES Act – SBA Programs

- In addition to traditional SBA funding programs, the CARES Act established several new temporary programs to address the COVID-19 outbreak.



## Paycheck Protection Program

This loan program provides loan forgiveness for retaining employees by temporarily expanding the traditional SBA 7(a) loan program.



## EIDL Loan Advance

This loan advance will provide up to \$10,000 of economic relief to businesses that are currently experiencing temporary difficulties.



## SBA Express Bridge Loans

Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly.



## SBA Debt Relief

The SBA is providing a financial reprieve to small businesses during the COVID-19 pandemic.

# What Is an Economic Injury Disaster Loan (EIDL)?

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- An EIDL is a loan of up to \$2 million with a maturity of up to 30 years that's designed to help carry businesses through tough times caused by a disaster such as the COVID-19 pandemic. These funds are intended to pay for expenses that your business would have otherwise met in a non-disaster economy, including payroll, rents, utilities and other operating expenses.
- Funds cannot be used for refinancing, making loan payments on other federal debts, to repair physical damages, to pay IRS tax penalties or to pay out dividends.

# What Is an Economic Injury Disaster Loan (EIDL)?

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- While loan amounts may be up to \$2 million, specific loans depend upon the amount of economic injury that a business has suffered. This amount is determined by the SBA on a case-by-case basis after businesses apply.
- Interest rates on EIDLs can be as high as 3.75% for companies and 2.75% for nonprofits. Principal and interest payments of EIDLs can be deferred for up to one year. Typically EIDLs are available to businesses and private nonprofits.

# What Is an Economic Injury Disaster Loan (EIDL)?

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- Collateral is required for loans over \$25,000.
- Personal guarantee required; applicants must have an acceptable credit history to the SBA when asked.
- SBA's Economic Injury Disaster Loan (EIDLs) funds come **directly from the U.S. Treasury**. Applicants do not go through a bank to apply, and instead, apply directly to SBA's Disaster Assistance Program.

# What is an Economic Injury Disaster Loan (EIDL) Advance?

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- EIDL loans have been around for decades.
- The CARES act added an EIDL advance option. The advance was created to provide a quick source of funds in advance of a full EIDL loan.
- The amount of advance funds for small businesses to receive can range from \$1,000 to \$10,000 of economic relief for businesses currently experiencing a temporary loss of revenue due to the COVID-19 pandemic.
- The amount of the advance is \$1,000 per employee up to \$10,000.
- Funds will be made available following a successful application. You will enter your bank routing information when completing the application and the funds will be directly deposited.



# What is an Economic Injury Disaster Loan (EIDL) Advance?

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- Funds may be used to keep employees on payroll, pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent, and mortgage payments.
- The amount of the advance is \$1,000 per employee.
- This loan advance will not have to be repaid.
- The amount of the EIDL advance will be deducted from the amount of the PPP loan if used for payroll or payroll related expenses.
- The advance cannot be used for the same purpose as the PPP Loan.

# Who is eligible for the EIDL and EIDL Advance?

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- In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan and Loan Advance
- This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organizations or 501(c)(19) veterans organizations affected by COVID-19.

# Who is eligible for the EIDL and EIDL Advance?

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- Businesses in certain industries may have more than 500 employees if they meet the [SBA's size standards](#) for those industries. You can download the standards @ <https://www.sba.gov/document/support--table-size-standards>
- Applicants for the EIDL Advance must have been in operation since January 31, 2020 when the public health crisis was announced.
- Eligible entities have until December 18<sup>th</sup>, 2020 to apply.
- But funds are only available up to the amounts allocated to the program by Congress.

# Is the EIDL right for my Business?

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- Small business owners impacted by the coronavirus may want to consider an SBA Economic Injury Disaster Loan. These loans are attractive for several reasons:
  - Low fixed interest rates: The interest rate is determined by formulas set by law and is fixed for the life of the loan. The current interest rate for this program is 3.75% for companies and 2.75% for nonprofits.
  - Long-term repayment of up to 30 years
  - No prepayment penalties
  - Payments deferred (interest accrues)

# What should I do first?

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The coronavirus pandemic is unlike any crisis small business has ever faced. But small business owners are nothing if not resilient. You will get through this and SCORE is here to help.

## I. Assess your business finances:

What are your immediate and most important expenses?

What can be deferred or negotiated?

How much cash do you have in reserve?

Use SCORE's 12-month [cash flow statement](#) to test different scenarios for the coming months. Look for ways to reduce costs wherever possible.

## 2. Apply for financing

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### Notice: Lapse in Appropriations

- SBA is unable to accept new applications at this time for the Economic Injury Disaster Loan (EIDL)-COVID-19 related assistance program (including EIDL Advances) based on available appropriations funding.
- Applicants who have already submitted their applications will continue to be processed on a first-come, first-served basis.

## 2. Apply for financing – But keep checking

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- To status if the program has been reopened is to visit <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>. This site provides detailed information for each of the funding options and emergency grants to help small businesses. Also, Learn more about the CARES Act at SCORES website <https://www.score.org/coronavirus-sba-loans-and-cares-act-assistance>.
- Private companies such as [Facebook](#) and [GoFundMe](#), are also providing loans, grants and discounts. But these grants are very limited and are only available in specific areas. Currently the Facebook grant is only available in Florida for the Miami Dade county area.
- Other financing options include a business line of credit, invoice financing, short-term loans, merchant cash advances and more. Find out [where to get business financing](#) and how you can qualify.

# EIDL Application Process



## SBA's Economic Injury Disaster Loan Program(EIDL)

To apply for the Economic Injury Disaster Loan Program go to the link <https://covid19relief.sba.gov/#/> and complete the streamlined process requirement



# Notice: Additional Economic Injury Disaster Loan Funding

- The Senate approved HR 266. The bill adds another \$310 billion to the popular Small Business Administration Paycheck Protection Program, \$50 billion more for SBA Economic Injury Disaster Loans and \$10 billion more for Economic Injury Disaster Loan grants.
- With the additional funding provided by the new COVID-19 relief package, SBA will resume processing EIDL Loan and Advance applications that are already in the queue on a first come, first-served basis.
- The SBA will provide further information on the availability of the EIDL portal to receive new applications (including those from agricultural enterprises) as soon as possible.

# COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION



OMB Control #3245-0406

Expiration Date: 09/30/2021

## Disaster Loan Assistance

Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

### COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION



DISCLOSURES



BUSINESS INFORMATION



BUSINESS OWNERS INFORMATION



ADDITIONAL INFORMATION



SUMMARY

### STREAMLINED PROCESS REQUIREMENTS

SBA is collecting the requested information in order to make a loan under SBA's Economic Injury Disaster Loan Program to the qualified entities listed in this application that are impacted by the Coronavirus (COVID-19). The information will be used in determining whether the applicant is eligible for an economic injury loan. If you do not submit all the information requested, your loan cannot be fully processed.

The Applicant understands that the SBA is relying upon the self-certifications contained in this application to verify that the Applicant is an eligible entity to receive the advance, and that the Applicant is providing this self-certification under penalty of perjury pursuant to 28 U.S.C. 1746 for verification purposes.

The estimated time for completing this entire application is two hours and ten minutes, although you may not need to complete all parts. You are not required to respond to this collection of information unless it displays a currently valid OMB approval number.



OMB Control #3247-0406

Expiration Date: 09/30/2020

## Disaster Loan Assistance

Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

### COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION

#### Application Submitted

Your application number is

**3300** [REDACTED]

You will be notified through the email address you submitted [REDACTED] for any additional information needed once your application has been processed.

Please write down your application number or print this page for your records.

# Required Information (Be prepared before you start the process)

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12 months prior to Jan 31, 2020

- Gross Revenues
- Cost of Goods Sold
- Lost Rents (for rental property owners)
- Cost of Operating Expenses (for nonprofits)
- Other reimbursement you will receive (i.e. business interruption insurance)
- Number of employees

# Likely Requested

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## By Your SBA Treasury Loan Processor

- By submitting the Streamlined application you have successfully applied for the emergency loan. If you checked the box indicating, you wanted the advance you will also be in que for the advance amount.
- The Advance amount will be deposited to your account.
- Now the next step in the process starts by waiting for follow on requirements to complete the full loan amount. SBA will email you the forms to complete for the amount
- This process has not been clearly communicated.

# Likely Requested

## By Your SBA Treasury Loan Processor

Under the standard process for applying for an EIDL loan the following would be completed and submitted to the SBA.

- SBA Loan Application (SBA Form 5 or 5C)
- Personal Financial Statement (SBA Form 413)
- Schedule of Liabilities (SBA Form 2202)
- Tax Information Authorization (IRS Form 4506T)
- If you have been approved to apply for EIDL the SBA will email you these forms to be completed and submitted.

The image shows a thumbnail of the SBA Form 5, titled "U. S. Small Business Administration DISASTER HOME / SOLEPROPRIETOR LOAN APPLICATION". The form is divided into several sections: "PRIMARY APPLICANT", "ADDITIONAL APPLICANT", "CONTACT INFORMATION", "BUSINESS PROPERTY INFORMATION", and "BUSINESS INFORMATION". Each section contains various fields for personal and business details, such as names, addresses, phone numbers, and checkboxes for business status and disaster impact.

# May Be Requested

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- Federal income tax returns (with schedules) for principals, general partners or managing member, and affiliates for 3 years
- If the most recent Federal Income Tax Return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year
- A current year-to-date profit-and-loss statement
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures.

# Key Takeaways

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- Have your financial statements in order.
  - 2017 and 2018 Tax returns. 2019 Tax return or current Profit Loss Statements
- Patience is key – be prepared to wait for a response.
- **Beware of Scams, Fraud Schemes and Predatory Lenders**
- The Office of Inspector General is alerting the public about potential fraud schemes related to economic stimulus. Fraudsters have already begun targeting small business owners during these economically difficult times. Be on the lookout for grant fraud, loan fraud, and phishing.
- Learn more: [https://www.sba.gov/document/report--sba-programs-scams-fraud-alerts?utm\\_medium=email&utm\\_source=govdelivery](https://www.sba.gov/document/report--sba-programs-scams-fraud-alerts?utm_medium=email&utm_source=govdelivery)



# SBA Disaster Assistance Updates

## Economic Injury Disaster Loans COVID-19 as of April 24th

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- Advances Processed –
  - Nationally - 192,519 Total Dollars \$4,805,897,000
  - Florida - 110,428 \$406,062,000
- Loans Approved
  - Nationally - 38,984 Total Dollars \$7,967,174,888
  - Florida - 2,936 \$540,305,900

# EIDL FAQs

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- **How long will it take to know if I am approved for a loan?**

SBA is processing applications as quickly as possible.

- **If a business currently has an SBA-backed loan and it fears it will not be able to make the payments, what course of action should it take?**

Disaster loans from previous disasters that are still being payed back will now have their payments deferred through the end of 2020.

- **Who is authorized to offer EIDL?**

SBA's Economic Injury Disaster Loan (EIDLs) funds come directly from the **U.S. Treasury**.

Applicants do not go through a bank to apply and instead apply directly to SBA's Disaster Assistance Program.

Traditional SBA backed loans are still available via banks as well.

To find an SBA-approved lender, visit [sba.gov/lendermatch](https://sba.gov/lendermatch).

# EIDL FAQs

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- **How does a business define an impact and/or loss for this? Is there a percentage, dollar amount, etc.?**

A business needs to define its loss in comparison to its 2019 operations/financials. Losses will be compared to the effective incident period starting on January 31, 2020. Just a loss needs to be reported; there is no threshold of a percentage or dollar amount.

- **How long are EIDL Advances Available?**

**January 31, 2020 – December 31, 2020.** The advances are backdated to January 31, 2020 to allow those who have already applied for EIDLs to be eligible to also receive a grant

# EIDL FAQs

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- **If I get an EIDL and/or EIDL Advance, can I get a Paycheck Protection Program (PPP) loan?**
  - Whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL and or EIDL Advance between January 31, 2020 AND June 30, 2020, you may also apply for a PPP loan.
  - If you ultimately receive a PPP loan or refinance an EIDL loan into a PPP loan, any advance amount received under the Economic Injury Advance Program would be subtracted from the amount forgiven in the PPP.
  - However, you cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use the PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.



You have several resources to help -  
[www.sbdcorlando.com/coronavirus](http://www.sbdcorlando.com/coronavirus)

- Answer questions and expectations about the loan program.
- Pre-screen potential applicants for program eligibility.
- Provide assistance in completion of the application package.
- Organize and facilitate bridge loan committees.
  - SBDC does NOT participate in the loan decision making process.
- Act as primary point of contact for applicant throughout process.
- If approved, facilitate the closing and distribution of the loan.
- Provide ongoing, no-cost professional business continuity and strategic planning consulting throughout recovery.



You have several resources to help - <https://orlando.score.org/>

- Our Mentors are available for remote assistance via telephone or vide counseling.
- Our Websites contain up to date informational blogs, webinars and Corona Virus updates.
- Provide assistance in completion of the application package.
- Provide ongoing, no-cost professional business continuity and strategic planning consulting throughout recovery.

# We can Help [www.sbdcorlando.com/coronavirus](http://www.sbdcorlando.com/coronavirus)

## Important Contact Information

For additional information on any of these programs:

[www.sba.gov](http://www.sba.gov)

SBA Resource Partners: <https://www.sba.gov/local-assistance>

SBA Disaster Customer Service phone number:  
1-800-659-2955 , (TTY: 1-800-877-8339) or e-mail  
[disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)

For SBA Webinars, Virtual Office Hours or to Join our Email  
Distribution Link: [www.SBA.gov/SouthFlorida](http://www.SBA.gov/SouthFlorida)

SBA South Florida Email: [SouthFlorida\\_DO@sba.gov](mailto:SouthFlorida_DO@sba.gov)

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# Helpful Websites

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- [www.sba.gov/coronavirus](https://www.sba.gov/coronavirus)
- <http://floridasbdc.org/disaster/sba-eidl/>
- <https://www.sba.gov/document/support--table-size-standards>
- <https://spacecoast.score.org/coronavirus>
- <https://spacecoast.score.org/blog/what-to-do-now-save-your-small-business-covid-19>
- <https://spacecoast.score.org/>



# Contact the SBA directly

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- Email them at [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov). include your contact information and confirmation number if you have it.
- Call them: 1-800-659-2955. The help desk hours operation are 8:00 am - 6:00 pm EDT Monday-Friday. You might want to first thing in the morning when they first get started.
- Login to the EIDL Portal:  
<https://covid19relief1.sba.gov/Account/Login?ReturnUrl=%2f>
- Alternative Access to the Portal: <https://disasterloan.sba.gov/ela/Account/Login>

# *Questions?*

***Thank You***



U.S. Small Business  
Administration

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