

FAQ and Tips for Applying for an Economic Injury Disaster Loan (EIDL) from the SBA

Updated: 3/22/20

The U.S. Small Business Administration (SBA) has designated COVID-19 as a qualifying event for the provision of Economic Injury Disaster Loans (EIDL) for businesses and private non-profits in declared zones. Here's what you should know:

What is the EIDL?

The EIDL is a low-interest, fixed-rate loan that can provide up to \$2 million in assistance for a small business. 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.

Actual loan amounts are based on the amount of economic injury. These loans provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing because of COVID-19. The EIDL helps meet the necessary financial obligations that your business or private non-profit organization could have met had the disaster not occurred. EIDLs do not replace lost sales or revenue.

Is my business eligible to apply for the EIDL?

The EIDL provides up to \$2 million of financial assistance to small businesses or private, non-profit organizations that suffer substantial economic injury as a direct result of the declared disaster. This includes:

Businesses directly affected by the disaster

Businesses that offer services directly related to the businesses in the declaration

Other businesses indirectly related to the industry that are likely to be harmed by losses in their community (Example: Manufacturer of widgets may be eligible as well as the wholesaler and retailer of the product.

Depending on your industry, a small business could be defined as business with a maximum of 250 employees or a maximum of 1,500 employees. The business can be a sole proprietorship, LLC, corporation, or private non-profit. To see if your business qualifies, see the SBA's definition of a small business [here](#).

Organizations that are not eligible include religious and charitable organizations, gambling concerns (Ex: Concerns that derive more than 1/3 of their annual gross revenue from legal gambling activities), and casinos and 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.

Note: Businesses that can use conventional funding facilities are encouraged to do so, when possible. The SBA conducts a “Credit Elsewhere” test to determine if it is evident that a business has sufficient cash flow to obtain conventional financing.

What can the funds be used for?

These working capital loans may be used to pay:

fixed debts

payroll

accounts payable and

other bills that can't be paid because of the disaster's impact.

The working capital loan may not be used for refinancing, expansion, growth of any kind, or infrastructure improvements.

What is the lending criteria?

Credit history – Applicants must have a credit history that is acceptable to the SBA. The SBA will look at extenuating circumstances if bad credit is recent and can be shown to be caused by the COVID-19 pandemic.

Repayment – As with all loans, you will need to prove that you have the ability to repay the loan.

Collateral – When applying for loans greater than \$25,000, the business must provide collateral. The SBA requires borrowers to pledge what is available including real estate. Loans under \$25,000 can be unsecured.

What are the terms?

The interest rate is 3.75% for small businesses without credit available elsewhere; businesses with credit available elsewhere are not eligible.

SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

When can I apply?

Applications for Economic Injury Disaster Loans are now open. Visit disasterloan.sba.gov

What information do I need to to prepare:

Gather the following information:

Most recent Federal Tax Return

Year-End Profit & Loss Statement

A current year to date Profit & Loss Statement

Monthly break down of sales figures

Get Familiar with the Necessary SBA Forms:

Completed SBA loan application (SBA Form 5 for business) or (SBA Form 5C for sole proprietor)

Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates (20% Owners/GP/50% Affiliate)

Schedule of Liabilities (SBA Form 2202)

Personal Financial Statement (SBA Form 413). 20% Owners/GP

Follow this link to see PDF copies of all the forms and instruction pages.

Helpful Tips when Applying:

- Include the disaster in your application – specifically name “COVID-19” or “Coronavirus”
- Apply online versus by mail
- Write your password down; you cannot retrieve it electronically, we have heard that, in some cases the call center personnel may not be able to retrieve it.
- Save your work at every prompt. The website may go down periodically due to high volume. If this happens, try to login again at a later time. We recommend working on your application during non-peak hours such as later evening or early morning.
- Do not rush through the application. Check and recheck the filing requirements to ensure that all the needed information is completed prior to submission. The biggest reason for delays in processing is due to missing information.
- Be sure to use the same contact information (business name and the name of all owners) that you use on your federal tax returns. Double-check that they match.
- If your tax returns reference other businesses that you own, you must also submit those tax returns in order to avoid a processing delay.

If more funds are needed, applicants 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 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.

Remember:

Applications are available online on the SBA's Disaster Loan Assistance site. [Disasterloan.ohio.gov](https://disasterloan.ohio.gov)

There is no cost to apply for the loan.

If your loan is approved you are not obligated to accept the funds

The EIDL is not your only option.

Businesses can reach out to their free business resource providers including the Ohio SBDC, Ohio MBAC, Ohio PTAC Ohio MEP, Ohio WBCs or Ohio SCORE Chapters.

New Questions:

- **What determines how much you can borrow?**
 - It is based on an internal determination that is likely a function of credit, identified needs and demonstrated impact
- **Do you have to have been in business for a certain amount of time prior to applying for the loan?**
 - A business must have been open prior to the start of Only specifics seen so far were that you have to have not started during the period of the disaster
- **Would loss of sales/clients be an acceptable reason for the loan?**
 - If it is Indicated that a loss of business due to COVID seems like injury.
- Do you have to show that you have been impacted or can you get loan with the expectation that business will slow down and you do not want to layoff employees
 - Didn't address this question. Perceive that expected injury would have to be based on reasonable assumptions of impact.

Many business owners are very worried about taking on additional debt when they're already underwater because of the current situation, or were underwater even before this hit. What advice would you give to them?

- It's an individual decision. But, if this debt is the difference between making it and not – and you are reasonably sure you can come out of this eventually and repay it, it may be your best option.