



**Economic Injury  
Disaster Loan (EIDL)  
Spending Requirements\***

# Economic Injury Disaster Loan FAQ Sheet\*

## Overview

The SBA Emergency Injury Disaster Loan (EIDL) offers long-term, low interest loans for small businesses and non-profits affected by COVID-19. A business must have 500 employees or fewer to be eligible for an EIDL loan. Sole proprietorships, independent contractors, cooperatives, ESOP's, and tribal small business with 500 employees or fewer may all be eligible.

- A credit check is required for loan applicants.
- Eligible entities may qualify for a loan up to \$150,000.
- EIDLs have an interest rate of 3.75% and can have a maturity of up to 30 years.
- EIDLs of \$25,000 or less may be unsecured. Loan amounts larger than \$25,000 require collateral.
- The first twelve payments will be deferred and do not become due until one year after the original disbursement. Interest does accrue during this deferral period, but there are no prepayment penalties.
- EIDL funds can be used to cover payroll and inventory, pay debt, or fund other business expenses.
- Small business owners are limited to one EIDL loan per business.

## Frequently Asked Questions

### 1. What is the best way for a potential EIDL borrower to get a status update on their application?

The SBA has a customer service center where applicants can ask about the status of their application. The SBA customer service phone number is 1-800-659-2955. The customer service representative will ask for the loan application number to check the processing status.

## 2. How does SBA typically process a loan application?

- a. The first step an SBA loan officer takes is to pull an applicant's FICA credit score. If an applicant's credit score meets the required minimum score, then the SBA loan officer will move on to next steps in processing the loan. If an applicant's credit score falls below the required minimum, then the application is rejected. Assuming that an applicant's credit is sufficiently good and the loan application is completed correctly, the SBA will contact the applicant with an invitation to visit a portal to view a proposed loan amount.
- b. Double check all your information on the EIDL application. EIDL applications have been declined due to incorrect information on the application forms. For example, applications have been rejected when applicants provided incorrect banking information, when the legal name of the business provided did not match the business name on federal tax returns, and when incorrect phone numbers, emails addresses, and tax identification numbers were provided.

## 3. My business already received the EIDL advance and I have now been invited to the EIDL portal to view the loan proposal. Am I allowed to turn down the loan at this point?

Yes, applicants may decline the loan. The best way to decline the loan is to simply do nothing—do not respond to the invitation—and simply let the loan offer expire. Turning down the EIDL will not affect the EIDL advance. Those who received the advance can keep it even if they decline the loan.

## 4. How does the SBA determine the amount of my loan?

EIDLs are determined on a case by case basis. The actual amount of a traditional EIDL is limited to the economic injury determined by the SBA, less business interruption insurance and other recoveries up to the administrative lending limit. SBA also considers potential contributions that are available from the business and/or its owner(s) or affiliates.

## 5. EIDLs have been described as working capital loans. What precisely classifies as "working capital" in this instance, and what general restrictions are in place concerning what EIDL funds may be used for?

- a. **EIDLs are best thought of as infusions of capital to keep businesses running on a regular basis as if Covid-19 did not happen.** This means that EIDL funds may be used

to pay for existing mortgages, leases, rents, inventory, accounts payable, payroll, quarterly taxes, utilities, health insurance, and business credit card balances that would normally have needed to be paid if the coronavirus outbreak had not occurred.

- b. Inappropriate uses of EIDL funds include accelerating fixed debt with a maturity greater than one year (e.g., you cannot pay off debt with an interest of 6 percent with EIDL funds that only charge 3.75 percent interest), expanding your business, or purchasing new equipment.

## **6. When is the latest that I can apply for an EIDL?**

Applications for EIDLs will be accepted until the end of the year (December 31, 2020). If you are considering applying for an EIDL, it might be wise to go ahead and start the process if you think you may need the funding. Should circumstances change and events unfold such that you don't need the money after all, you can simply let the loan process expire with no penalty.

## **7. How does the credit check work for the EIDL program?**

The regular credit check process for EIDLs was recently streamlined to make it easier to rapidly disburse funds to businesses impacted by the coronavirus. A FICA score test is first used to determine whether to allow an application to proceed to subsequent stages or to decline a loan application outright.

## **8. If my loan application is declined, can I appeal the decision?**

Anybody declined for a loan has the right to ask for reconsideration, allowing the SBA to consider information in addition to the credit score such as a copy of the business's most recent federal income tax return, an IRS Form 4506, or an explanation of the credit situation.

## **9. How can I maximize my chances for receiving an EIDL?**

- a. The most important considerations when applying for an EIDL are to have a satisfactory credit rating, to be an eligible business, and to make sure the loan application form is completed accurately. Certain types of businesses may be considered ineligible. Such businesses include firms involved in financing, speculative activity, and lobbying.

- b. Clerical errors and other mistakes on the application form have been reported to result in declined applications. Make sure to read the questions on the SBA application form closely. Sometimes applicants misinterpret the questions asked. For example, rather than reporting gross sales for the 12 months prior to January 31<sup>st</sup> 2020, some applicants have filled in this box with "\$0", indicating the amount of sales they currently take in, instead of the 2019 information that is actually requested. The same goes for COGS, lost rents, and operating expenses.
- c. Another common mistake is filling in contradictory fields. For example, an applicant should not enter information for operating expenses as both a nonprofit and a for-profit business. When contradictory information is supplied on the application form, this makes the application nonsensical and may result in your application being declined.
- d. Make sure to doublecheck basic contact and banking information. Two common errors found in application forms are misspelled email addresses and incorrect bank account routing numbers.
- e. It is also useful to have all your source documents ready when you apply. These include your business's most recent tax returns, banking statements, tax identification number, and checking account information. Also, make sure you list a physical address as your location for doing business and not a P.O. box.

#### **10. Can I increase the size of my loan after having received money?**

No. The SBA's system is not equipped to make modifications regarding loan size once a loan has been disbursed. Once you sign the loan closing documents which include a promissory note and a loan authorization and agreement, it is unlikely that you will be able to make changes to the loan terms.

#### **11. Do I have to accept the loan amount that's offered? What if I don't want to take the whole amount?**

No. Approved applicants can request any amount of the loan up to the maximum loan amount offered.

#### **12. Is collateral guarantee required for an EIDL?**

Yes, but only for loans above \$25,000. Loans of \$25,000 or less are unsecured loans.

### **13. How long should I expect to wait before hearing whether I've been approved for a loan?**

If the application was filled out correctly, you should expect to hear a response within 3 weeks. If you would like to contact SBA about the status of your application, you may call the EIDL customer service line at 1-800-659-2955.

### **14. Will I have to supply a personal guarantee in order to acquire the loan?**

No, personal guarantees are not required to obtain an EIDL. The loan approval documents may ask for the identification and signature of an individual authorized to take out the loan on behalf of the business applicant, but this identification and signature does not constitute any obligation on the part of the individual in question to personally guarantee the loan.

### **15. Where can I go to find an answer to legal questions concerning my loan?**

If you have a legal question concerning an EIDL, you can contact the SBA by emailing [pdcrecons@sba.gov](mailto:pdcrecons@sba.gov) or [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov). Write "Legal Question" in the subject line. Be sure to include your loan number or application number in every correspondence you send to SBA.

### **16. What other loans are available for small business owners through the SBA?**

Small businesses who currently have a business relationship with an SBA Express Lender may be eligible to access up to \$25,000 quickly through an SBA Express Bridge Loan. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be term loans or used to bridge the gap while applying for an EIDL. More information on Express Bridge Loans is available at <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-express-bridge-loans>.

### **17. Can I take a Paycheck Protection Program (PPP) loan and an EIDL?**

Yes, you can apply for both. But you can't use the funds from both loan programs for the same purpose.

## 18. Does EIDL affect PPP forgiveness?

The EIDL emergency grant or advance will reduce the amount of any loan forgiveness on a PPP loan also obtained by a borrower. As an example, let's say you receive an EIDL emergency grant for \$3,000. Subsequently, you receive the PPP loan for \$25,000. As long as you use all of the PPP within the 8-week benefit period, \$22,000 of the PPP will be forgiven and the \$3,000 EIDL emergency grant will need to be paid back within two years at 1% interest rate.

*\*This document was developed by NFIB based on the information currently available and our best interpretation of the CARES Act and information published by the SBA. However, NFIB cannot provide legal or tax advice and is not responsible for any errors or omissions.*

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