



MISSOURI Restaurant News

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SBA's Economic Injury Disaster Loan program

The [CARES Act](#) (the Act) offers financial relief to small businesses through two targeted loan programs: - the newly-created [Paycheck Protection Program](#) (PPP) and the existing [Economic Injury Disaster Loans](#) (EIDL) program. The Act modifies several provisions of the EIDL program.

This newsletter deals with the EIDL program and a unique feature of that program known as the Economic Injury Disaster Loan Emergency Advance. This part of the EIDL program provides up to \$10,000 in emergency relief that does not have to be repaid, making it effectively a grant. To receive the advance, you must apply for an EIDL. Recent guidance from SBA indicates the \$10,000 of emergency grant money is limited to \$1,000 per employee – up to a maximum of ten employees. Whether your EIDL is approved or not, the advance does not have to be repaid and you should receive it within days following a successful EIDL application, according to the SBA.

Loan Approval Conditions

The following loan approval conditions reflect some relaxing of traditional EIDL loan stipulations:

- You can borrow up to \$200,000 without a personal guarantee.
- You do not have to prove you could not get credit elsewhere.
- Loans of \$25,000 or less require no collateral.
- For loans above \$25,000, a general security interest in business assets can be used.
- You must allow the SBA to review your business tax records.

What's Available

COVID-19 EIDLs are designed to provide economic relief if your business is currently experiencing a loss of revenue due to the pandemic. The up to \$10,000 loan advance exists to provide more immediate relief while you wait for the proceeds of your regular EIDL loan. You can apply for an EIDL of up to \$2 million to provide working capital for expenses such as payroll costs, fixed debt, accounts payable, and other ordinary and necessary business expenses. The interest rate is 3.75% and the loan term can be up to 30 years. The COVID-19 EIDL includes an automatic one-year deferral on repayment, though interest begins

to accrue when the loan is disbursed.

The amount of your (up to) \$10,000 grant, which you request when you complete your EIDL application, is determined by the number of employees you have at \$1,000 per employee with a maximum grant of \$10,000. For example: If you have three employees, you will receive \$3,000. That amount will be deducted from the loan forgiveness amount of any PPP loan you receive and should arrive within days of your EIDL loan application, according to the SBA. As noted above, whether you ultimately qualify for an EIDL, the grant money is yours and does not have to be repaid.

Streamlined Application

EIDLs are funded by the Small Business Administration so you make your application with the SBA. For the COVID-19 version of EIDL, the application process has been streamlined and the SBA says it should take you two hours and ten minutes or less to complete.

Disclosure

The application starts with a disclosure section that describes the loan and states that the information collected will be used to determine whether you are eligible. It includes a warning that if you do not provide all requested information, your loan will not be processed, as well as a reminder that the SBA is relying on your self-certification of eligibility to receive the advance (if you apply) and that there is a perjury penalty if you are not truthful.

The Small Business Administration (SBA) has expanded the economic injury disaster loan (EIDL) program to offer financial support to small businesses experiencing reduced revenue. The CARES Act includes \$10 billion to expand the EIDL program for eligible businesses. Due to the national scope of the coronavirus, businesses in all 50 states, Washington, D.C. and U.S. territories can apply for an EIDL and receive an advance grant of up to \$10,000 on the loan. To emphasize, the advance grant does not have to be repaid.

MRA prepared a [side-by-side analysis](#) of a PPP loan and an EIDL to compare and contrast the two targeted loan programs.

Our friends at the Constangy, Brooks, Smith & Prophete law firm provided the following Q&A in a recent LEGAL Bulletin distributed on April 10.



Who is eligible?

Employers, non-profit organizations, Employee Stock Ownership Plans, and tribal small business concerns with fewer than 500 employees, and sole proprietorships and independent contractors. The SBA's affiliation rules also apply to EIDL applicants when determining the total number of employees.

Is there an eligibility period?

Yes. The eligibility period ends on December 31, 2020.

How much can I borrow?

There is a cap of \$2 million. The interest rate is 3.75 percent for small businesses, but the maturity date can differ depending on the loan. The maximum maturity date is 30 years. No payments are due for the first year.

In addition, applicants may also receive a \$10,000 emergency advance in the form of a grant (no repayment required), within three days after the SBA receives the applicant's application. This advance does not have to be paid back even if the applicant is ultimately denied an EIDL.

However, recent SBA guidance has indicated that based on high demand, the \$10,000 of emergency

grant money may be limited to \$1,000 per employee for up to ten employees.

What are the current requirements for getting a loan?

The CARES Act waived a number of the requirements to get an EIDL. EIDLs of up to \$200,000 do not require a personal guarantee. Loans between \$200,000 and \$500,000 may require business assets, like machinery or equipment, to secure the loan. Larger loans may require real estate. However, SBA representatives have said they will not turn away borrowers who lack collateral.

Are there restrictions on an EIDL?

Yes. Loan proceeds can be used for payroll, fixed debts, and other obligations that cannot be met due to revenue losses resulting from the COVID-19 crisis. Funds cannot be used toward expanding an employer's business, including relocations, payment of bonuses or dividends to employees, or refinancing long-term debt.

May I apply for EIDL and Paycheck Protection Program loans?

Yes, but there are restrictions to be aware of. If you received an EIDL from January 31 through April 3, 2020, you can also apply for a PPP loan. However, applicants who receive a loan under the PPP are not eligible to use an EIDL *for the same purpose* (e.g., using both loans to pay for the same payroll costs).

If an applicant applies for both loans but already used the EIDL funds for eligible payroll costs, the PPP loan must be used to refinance the EIDL. (Applicants wishing to use the loan forgiveness feature of a PPP loan must apply 75 percent of the funds toward eligible payroll costs.) For determining the percentage of proceeds applied toward payroll costs under a PPP, the amount of any EIDL refinanced will be included in that total. Finally, proceeds from the \$10,000 emergency grant under the EIDL will be deducted from the loan forgiveness amount on the PPP loan.

May I receive loan forgiveness for an EIDL?

No. Unlike qualifying loans under the PPP, an EIDL is not eligible for loan forgiveness. However, as stated above, an applicant may receive up to \$10,000 of emergency grant money.

Helpful Links:

Here is a link to the SBA's [application for an EIDL](#).

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