<u>**COVID-19 Economic Injury Disaster Loans – Overview**</u>
(as of April 24, 2020)

The CARES Act makes changes to the Small Business Administration (SBA) disaster loan program – the Economic Injury Disaster Loan (EIDL) program – specifically to respond to COVID-19. On April 24, 2020, H.R. 266 became law, which provides an additional $60 billion for COVID-19 EIDLs and makes clear that agricultural producers with 500 or fewer employees are eligible for the disaster loans. Because COVID-19 EIDLs are being implemented according to pandemic-specific regulations, SBA may still be issuing guidance on how agriculture can access the disaster loans. We will continue to update our information as more guidance and rules are issued.

<u>In Summary</u>:
- In general, agricultural producers with 500 or fewer employees, including sole proprietors with or without employees, are eligible.
- Agricultural cooperatives with more than 500 employees or $1 million or more in annual receipts are ineligible.
- SBA determines loan amounts based on the business's economic injury minus business interruption insurance and other recoveries, and loans are capped at $2 million.
- EIDLs can be used for business expenses related to keeping the business in operation, but not for expanding the business.
- EIDLs can be up to 30-year loans, with the term length of the loan determined by SBA.
- The interest rate for EIDLs is fixed at 3.75% for businesses (2.75% for non-profits).
- Once an applicant has applied for an EIDL, they may request an advance on their loan of up to $10,000, which is called an emergency grant.
  - As long as the emergency grant is used to pay expenses in-line with EIDL acceptable purposes, the grant does not have to be repaid, even if the applicant is not approved for the broader EIDL.
- You apply directly with SBA for an EIDL.
- SBA can issue COVID-19 EIDLS until December 31, 2020.

Eligibility
Based on expanded eligibility by the CARES Act and H.R. 266, SBA can issue COVID-19 EIDLs to:
- Agricultural producers with 500 or fewer employees, including independent contractors and sole proprietors with or without employees
- Agricultural cooperatives with 500 or fewer employees and less than $1 million in annual receipts

Loan Details
EIDL amounts are determined by SBA, based on its assessment of the business's economic injury minus business interruption insurance and other recoveries. EIDLs are capped at $2 million.

EIDL funds can be used for business expenses related to keeping the business in operation, but not for expanding the business. Some of these expenses include, but are not limited to, rent or mortgage payments, repayment of unmet obligations, payroll, paying for the increased cost of materials under COVID-19, and providing paid sick leave to employees unable to work due to COVID–19. *Please note: You cannot use both EIDL funds and Paycheck Protection Program (PPP) funds to pay for the same expenses.*

SBA's loan decision may take 30 or more days. In the meantime, once applicants have submitted their loan application, they can request an advance on their loan of up to $10,000, which is called an

emergency grant. The size of the emergency grant is determined by the business's number of employees. As long as the emergency grant is used to pay expenses in-line with EIDL acceptable purposes, the applicant is not required to pay back the emergency grant, even if the applicant ends up not receiving the broader EIDL. *However, the EIDL emergency grant amount will be deducted from any amount of PPP loan forgiveness the borrower may otherwise be receiving.*

The interest rate for a COVID-19 EIDL is fixed at 3.75% for businesses (as opposed to 2.75% for non-profits). SBA determines the length of the loan, which can be up to 30 years.

Loan payments are deferred for the first 12 months, but interest will accrue during this time.

SBA can issue COVID-19 EIDLs until December 31, 2020.

Application Details
A loan applicant typically must meet specific application requirements, but some of these are not required for COVID-19 EIDLs. For COVID-19 EIDLs:
- Applicants do not need to demonstrate they are unable to obtain credit elsewhere
- Applicants do not need to provide a personal guarantee on loans or advances of $200,000 or less
- Applicants do not need to be in business for one year before the disaster, but the business does need to be in operation on January 31, 2020 to be eligible

For loan amounts around $300,000 or less, applicants may not be required to submit their tax return or tax return transcript with the application, with SBA rather approving their application based solely on their credit score or a different method to determine an applicant's ability to repay the loan.

For businesses with more than one owner, only one owner needs to complete the main loan application, with additional owner information being submitted in the addendum to the application.

How to Apply
You apply for an EIDL directly with SBA online. The application has been streamlined for COVID-19 EIDLs, and the estimated length of time to complete the application is two hours.

Here is a link to the online application page: https://www.sba.gov/disaster-assistance/coronavirus-covid-19. Please note: SBA removed the link to the application itself when the first round of funding was completely used. SBA will provide an active link to the application on this application page once it is again able to process EIDL applications.

Accessing both PPP loans and EIDLs
There is nothing in the CARES Act that prohibits businesses from accessing both PPP loans and EIDLs.

However, because PPP loans can only be used for certain expenses, it is important to keep in mind how you apply for and use funds from each type of loan so you do not unintentionally reduce the amount you can receive through either program or your amount of PPP loan forgiveness.

Additionally, as noted above, if the borrower takes an EIDL emergency grant and is seeking PPP loan forgiveness, the amount of the emergency grant will be deducted from any PPP loan forgiveness the borrower may otherwise be receiving.