Economic Injury Disaster Loan (EIDL) Program

Live Webinar will begin shortly

April 13, 2020  5:00PM

SCORE | Santa Barbara County
Webinar Series

Opportunities & Considerations for Your Response to the COVID-19 Crisis

● Includes:
  ○ Actions to Take Immediately in an Approaching Business Crisis
  ○ Corona Crisis Relief
  ○ Payroll Protection Program (PPP)
Q&A
Speakers

Eric Saltzman

Greg Loosvelt
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Neither SCORE or SCORE Mentors provide legal or accounting advice. This presentation provides a general overview of the subject matter. You should seek advice from your lawyers, accountants and other advisor regarding the specifics of your business.
COVID-19 Relief Opportunities

**Sources of Financing**
- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loan (EIDL) Program
- State and local relief programs
- Traditional debt financing

**Tax Benefits and Interrelationships**
- PPP loan forgiveness
- Employee retention tax credit
- Payroll tax deferral
- NOL carryback analysis
Next Webinars

Thursday, April 16 @ 5:00 PM
Crisis Recovery: Business Forecasting - Making Sense of Uncertainty
● Fundamentals of Forecasting
● How to Use Your Forecast
● The Role of Forecasts in Obtaining Disaster Relief

Monday, April 20 @ 5:00 PM
Crisis Recovery: Cash Flow Management to Survive and Thrive
● Why Focus on Cash Flow
● Key Drivers of Cash Flow
● Using Cash Flow Projection Tools
● How Cash Flow Informs Your Use of Disaster Relief
## Summary:

### PPP

**Intent**
Keep your workforce in place by paying their salaries

**Maximum loan amount**
Lesser of 2.5X business’s average monthly payroll or $10,000,000

**Use of loan**
Maintaining payroll and group healthcare benefits (75% of loan); mortgage and debt interest payments, originated prior to Feb. 15, 2020; rent payments, originated prior to Feb. 15, 2020; and utilities payments

**Loan determined by**
Originator

**Forgiveness**
In full and partial; reduced by $10,000 if received Economic Injury Disaster Advance Loan

**Deferred**
For six months, but interest accrues

**Interest rates**
1.0%

**Loan payback**
2 years

**Collateral & personal guarantee**
No

**Apply with**
Approved SBA lender

**Date loan proceeds will be received**
TBD

**Use loan proceeds by (for forgiveness)**
Eight weeks from loan origination date

### EIDL

**Working capital loan**

**Maximum loan amount**
$2,000,000, reduced by loan advance

**Use of loan**
Fixed debts, payroll, A/P, and other bills

**Loan determined by**
SBA

**Forgiveness**
No

**Deferred**
Up to 12 months

**Interest rates**
3.75% for profit and 2.75% for nonprofit

**Loan payback**
Up to 30 years

**Collateral & personal guarantee**
Yes, for loans over $200,000

**Apply with**
SBA

**Date loan proceeds will be received**
Estimated 4-5 weeks after successful application

**Use loan proceeds by (for forgiveness)**
N/A
EIDL Eligible Businesses

EIDL is for any **small business with less than 500 employees of all types** (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization 501(c)(3) or 501(c)(19) veterans organizations affected by COVID-19 that:

- Are **directly affected by the disaster**.
- Offer services **directly related to businesses in the declaration**.
- Are **businesses indirectly related to the disaster that are likely to be harmed by losses in their community, such as restaurants, lawyers, and construction**.

These loans are **not available** to: Lobbying organizations, Casinos and gambling entities, and Businesses who have illegal activities under federal law.
Three Criteria for Loan Approval

1. **Credit history**: applicants must have a credit history acceptable to SBA.

2. **Repayment**: SBA must determine that applicant business has ability to repay SBA loan.

3. **Eligibility**: applicants must be in any U.S. states and territories and suffered working capital losses due to the declared disaster, not due to downturn in the economy or other reasons.

**Note**: Applicants do not know what will be received—SBA will make that determination.
Three Borrowing Parameters

1. Eligible entities may qualify for loans up to $2 million.

2. Interest rates for this disaster are 3.75% for small businesses and 2.75% for nonprofit organizations with terms up to 30 years.

3. Eligibility for these working capital loans are based on size (must be a small business), credit worthiness, type of business, and its financial resources.
Use of EIDL Funds

May be used* to pay for:

- Fixed debts.
- Payroll.
- Accounts payable.
- Other bills that could not have been paid had the disaster not occurred.

May not be used to pay for:

- Lost sales.
- Lost profits.
- Refinance existing debt.
- Expansion.

*Note: Loan recipients cannot use EIDL and PPP proceeds for the same purpose.
Collateral Requirements for Loans

**Maximum unsecured loan amount** is $200,000 due to CARES Act.

Loans over $200,000 require **collateral**. SBA:

- Takes real estate (commercial and residential) as collateral when available.
- Will not decline a loan for lack of collateral, but requires borrowers to pledge when available.

Personal guarantee for owners who have greater than 20% ownership stakes.
Small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to $10,000 due to COVID-19.

This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue.

Funds will be made available within three days or more of a successful application.

This loan advance will not have to be repaid.

Applicants can apply at [https://covid19relief.sba.gov/](https://covid19relief.sba.gov/).

Even if application for EIDL loan is denied, you still get to keep the advance.

- Reduces loan forgiveness on PPP.
- Reduces loan amount for EIDL.
<table>
<thead>
<tr>
<th>Summary</th>
<th>EIDL</th>
<th>Economic Injury Disaster Advance Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intent</strong></td>
<td>Working capital loan</td>
<td>Short-term funding until EIDL loan determination is made</td>
</tr>
<tr>
<td><strong>Maximum loan amount</strong></td>
<td>$2,000,000, reduced by loan advance</td>
<td>Fixed grant amount of $10,000</td>
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<tr>
<td><strong>Use of loan</strong></td>
<td>Fixed debts, payroll, A/P, and other bills</td>
<td>Not specified</td>
</tr>
<tr>
<td><strong>Loan determined by</strong></td>
<td>SBA</td>
<td>N/A, grant amount</td>
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<td><strong>Forgiveness</strong></td>
<td>No</td>
<td>Automatically, since it is a grant</td>
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<td><strong>Interest rates</strong></td>
<td>3.75% for profit and 2.75% for nonprofit</td>
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<td><strong>Loan payback</strong></td>
<td>Up to 30 years</td>
<td>N/A, since it is a grant and there is no payback</td>
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<td><strong>Collateral and personal guarantee</strong></td>
<td>Yes, for loans over $200,000</td>
<td>N/A</td>
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<tr>
<td><strong>Date loan proceeds will be received</strong></td>
<td>Estimated 4-5 weeks after successful application</td>
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How to Apply for an SBA Disaster Loan
EIDL funds come directly from the US Treasury.

Applicants apply directly to SBA’s Disaster Assistance Program at https://disasterloan.sba.gov/ela You do not apply at a bank.

SBA recommends online submission, but will accept paper applications.

There is no cost to apply and no obligation to take loan if offered.

Applicants can have an existing SBA Disaster Loan and still qualify for an EIDL for this disaster, but loans cannot be consolidated.
First Steps

● In the past, small businesses needed to register with the Federal Emergency Management Agency (FEMA) to receive a case number before applying for an SBA loan.

● However, FEMA is not releasing registration numbers for economic injury related to the COVID-19 crisis.
  ○ Due to this fact, we believe that businesses will be able to apply for a loan without a FEMA number.

● The deadline date for economic injury is 9 months from date of disaster declaration.
  ○ Any extensions will be announced on the SBA website.
Before filing for an SBA Disaster Loan, the business will need to provide:

- IRS form 4506-T, which gives permission for the IRS to provide the SBA tax return information
- Current financial statement (SBA form 413)
- Current schedule of liabilities listing all fixed debts
- Copy of most recently filed Federal income tax return

*Note: All required documentation must be completed and signed by each principal owning 20% or more of applicant business, for any owner who has more than a 50% ownership in an affiliate business.*
Required Information (continued…)

- IRS form 8821, or Tax Information Authorization form, which gives authorized individuals and organizations permission for access to tax information. This is only required with electronic applications.

- Contact information for all applicants
  - Verify accuracy, as people work out-of-office

- Social security numbers for all applicants

- Employer Identification Number (EIN)

- Insurance information

- EIDL Supporting Information Form (P-019)
The Personal Financial Statement (SBA Form 413) is used by the SBA to analyze the repayment ability and creditworthiness for a disaster loan.

The document outlines financial position at a given point in time, including a breakdown of total assets and liabilities.
To complete Item 2 (Schedule of Liabilities) on SBA form 5 (disaster loan application), the SBA recommends using the format shown.

You can, however, use a different format that you prefer.
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THANK YOU!

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