

FAQs

What is an Economic Injury Disaster Loan?

It is a low-interest federal loan issued by the SBA to alleviate economic injury small businesses or private non-profits are experiencing injury and, in this case, injury caused by the Coronavirus (COVID19). They become available once a county or state gets an Economic Injury Disaster Loan assistance declaration also issued by the SBA.

More information can be found at <https://disasterloan.sba.gov/ela/Information/EIDLLoans>

How does a small business apply for an EIDL?

The SBA highly recommends using the online loan application, which can be found at <https://disasterloan.sba.gov/ela/>.

How does a business qualify for an EIDL?

Many factors go into qualifying for an EIDL. A primary one is that a small business has to show a loss effective January 31, 2020, to now and/or in the future, as compared to 2019 financials.

What forms are needed for the loan application?

The SBA highly recommends using the online loan application, which can be found at <https://disasterloan.sba.gov/ela/>.

Small businesses will also need the following:

- Tax Information Authorization ([IRS Form 4506T](#)) for the applicant, principals and affiliates.
- Complete copies of the most recent Federal Income Tax Return.
- Schedule of Liabilities ([SBA Form 2202](#)).
- Personal Financial Statement ([SBA Form 413](#)).
- Profit and loss statements.
- Monthly sales figures ([SBA Form 1368](#)).

For those with limited web/online capabilities, paper forms can be found at <https://disasterloan.sba.gov/ela/Information/PaperForms>.

What can an EIDL be used for?

These 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.

What are the interest rates for EIDLs?

The interest rate is 3.75% for small businesses and the interest rate for nonprofits is 2.75%.

When does the business have to start paying back the loan?

EIDLs repayment is deferred for twelve months. Interest accrues during this period. Further, SBA offers loans with long-term repayments 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.

What banks are authorized to offer these economic injury disaster loans?

The SBA offers the economic injury disaster loans, not banks. Small businesses should apply for Economic Injury Disaster Loans at <https://disasterloan.sba.gov/ela/>.

What is the limit each state can receive? What about each business?

The SBA is available to assist all small businesses across the nation and does not have a total cap on the loan amounts; each qualifying small business can apply for a loan of up to \$2M to assist with economic recovery. There is no state or territory limit.

What is the process for and turnaround time from loan application to receiving the funds?

The loan process can be found at the link below and turnaround time is approximately five days for review and the receipt of funds once the loan is approved takes approximately 3 weeks.

Loan process: https://disasterloan.sba.gov/ela/Documents/Three_Step_Process_SBA_Disaster_Loans.pdf

Since the Federal Reserve lowered its target for the federal funds rate to nearly 0% this week, why is it that the SBA EIDL rate set to 3.75%? Aren't these direct loans from the SBA? What entity is making the 3.75% interest? Is it possible that the interest rate will be lowered soon?

This level is set by Congress. If Congress acts to adjust it, the SBA will do so per the action.

How is the disaster loan amount determined?

SBA will look at the last three years historical to determine what the business could have paid if the disaster would not have occurred. The loan funds will not provide for lost sales.

Is the interest rate fixed?

Yes.

Can there be interest only payments on the disaster loan?

There is 12 months of payment deferral automatically built into the disaster loan that begins from the date of the Note, but interest accrues.

Is there a certain time period that the business needs to be in operation?

No, however the business will need the appropriate business and financial documentation required that shows it is a viable business.

How can I use the loan fund?

The typical timeframe is 21 days for a decision on the application package as long as all information is provided accurately by the applicant. After decisioning, SBA legal prepares the closing documents to send to the borrower. After receipt of the signed documents the funds are direct deposited typically in 3 -5 business days. If collateral is required for the loan SBA will prepare a partial disbursement of \$25,000 to submit to the borrower and release the remaining funds once all collateral is appropriately secured.

Is there reconsideration made if the loan is denied?

Yes. An example would be if the loan was turned down for insufficient income and the owner would like to add on a co-borrower, such as a spouse.

What if an applicant is approved for the loan but withdraws their application. Do they have to re-apply all over again?

The applicant will have up to 6 months to reactivate their loan that was approved.

Should applicants complete a paper application beforehand and send in once a disaster is declared for the area their business is located?

Yes, however completing the application online electronically ensures a faster process. If SBA receives the paper application a staff member needs to input the information into the electronic application system. This will slow down the application process.

To meet the credit available elsewhere that is required does the applicant need to be turned down by a lender?

No. SBA will complete the thorough analysis to determine this based on the information provided by the applicant.

If using a joint tax return and the spouse is not an owner of the business does the spouse need to sign the 4506?

No.

If the business has insurance that will provide loss proceeds will this become a problem during application?

No, if insurance proceeds are disbursed to the business after the loan is funded those proceeds would be used to pay down on the disaster loan.