



SBA Economic Injury Disaster Loans (EIDL) for COVID-19 Related Loses

WHO'S ELIGIBLE & WHAT'S BEING OFFERED

The Economic Injury Disaster Loan 'EIDL' application can be accessed here: [Disasterloan.sba.gov](https://disasterloan.sba.gov)

- All areas of Washington state are now eligible.
- Additional supporting documents and information can be found on the [SBA website](#)

Disaster loans for economic injury are working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes. This can be used to meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period.

The SBA is recommending that all applications be submitted online. Paper applications may be delayed. Applying during off peak hours may provide easier online access. Off peak in Washington is after 8:00 p.m.

All EIDL loans will be processed by the SBA Office of Disaster Assistance (ODA). There is no cost to apply. The loan cap is currently \$2 million. All applicants must meet SBA Small Business Size Standards. Those can be found [here](#). The SBA loan form is Form 5. Home office businesses owners can use Form 5C.

There may be changes in the loan process and in the information shown below.

For many loans especially those not completed correctly or lacking loan qualifying criteria, the time from the start of the application to funds disbursement can be as long as three or four weeks. The SBA says that they are trying to expedite the loan process, and to look for ways to grant the loan rather than denying it. Some applicants have been approved in a few days, but a majority are being denied pending additional information in an appeal. Applicants have six months to file an appeal. Once the loan is accepted, the applicant will be assigned a loan processor whom they will be able to communicate with directly to resolve issues and provide additional information.

Loans approved for more than \$25,000 will ask for collateral if it is available. At this time the SBA is not taking real estate as collateral. Tying up collateral with appropriate liens may delay loan approval and disbursement. The first \$25,000 will be disbursed immediately. A lack of collateral does not disqualify the application, but it may factor into the analysis of the borrower's ability to repay the loan.

This is an economic injury loan NOT a physical injury loan. Applicant's should not check the Physical Injury box in the application. Once an initial economic injury dollar amount is established, the SBA will multiply that amount by their estimated "Length of Disaster Declaration" to determine the total loan amount.

- Example: If the amount of the Injury is \$10,000 and the estimated length of the Disaster is 7 months, the initial loan amount would be \$70,000.

The borrower can request an increase in the loan later if the actual injury is greater than initially established.

Economic injury is established by providing three past years of financial statements including P&Ls, balance sheet and cash flow statements. These will be compared to the current financial statements during the crisis to determine the loan amount. Recent P&Ls over the last 90 days will be requested. Economic Injury can be projected based on past financials and the story of their current condition.

Businesses that are new startups and cannot provide previous financial statements may not be eligible for a loan. We encourage startup businesses to apply especially if they have other documentation to support the economic loss.

All sole proprietors, LLC's, corporations and related business entities are eligible for EIDLs at a 3.75% interest rate. Non-profits are eligible for EIDLs at a 2.75% interest rate. Length of loan terms can be up to 30 years.

Most all businesses except farm, gambling, religious, charitable institutions and cannabis entities are eligible for EIDLs.

The EIDL cannot be used to pay down existing long-term debt or lost profits. It can only be used for economic injury related to operational expenses. This can include paying down lines of credit (LOC), bridge loans and returning customer deposits.

Owners of rental properties are eligible for EIDLs to recover lost rents.

APPLICATION TIPS

The first step is to register for an account with a username and password. Remember your password. The SBA does not retain the passwords and does not have a lost password button. If you forget your password, you will have to start the application process over again.

Tax returns may be used in the loan processing but every person owning 20% or more of a business will have to complete an Authorization Request for Tax Transcript form 4506-T.

Successful applications are based on the borrower's ability to repay the loan. Determining factors include business financials and cash flow and demonstrated ability to manage business funds and assets. Credit scores are a factor but may not be a disqualifier if they can be explained with mitigating factors. All of the loans will include a personal guarantee. The SBA does not report these to credit reporting agencies.

If a business and business owners are past due on federal tax payments and they do not have a workout agreement with on-time payments the loan will be rejected. Businesses with a workout agreement and are paying it should be OK.

In the assets portion of the application, there is a limit to the number of assets that can be listed. It may be better to enter one total number and provide additional detail on a separate page.

There is a personal resource test. Some businesses who have a strong cash liquidity position and can survive on its own may be denied. In the application this is called "Credit Available Elsewhere." If a small business accepts a loan from another source such as a bank it will be factored into the EIDL loan offer.

Other income such as city grants or grants from economic development agencies and non-profits must be declared. If an applicant has received other funding during the Disaster Declaration period will likely factor in the loan application funding calculation.

The business must have a physical presence. Applicants with home offices should apply. We believe that businesses that are completely online may not be eligible for loans. PO Box addresses or addresses that are out of the country are not acceptable.

All loan requests are processed on a first come first served basis. Business owners should take the time to complete the loans as soon as they can document economic injury. Loan applications that are completed hastily may be denied quickly with reasons for the denial. The reasons for the denial will be described and can then be appealed.

Select the electronic funds transfer (EFT) system to get funded. Paper checks will take a lot longer.