

# CARES Act: COVID-19 Economic Injury Disaster Loan

**Amount.** Award of an EIDL loan is based on a company's actual economic injury determined by the SBA (less any recoveries such as insurance proceeds) up to \$2 million.

**Eligibility.** The CARES Act expands EIDL eligibility for the period between January 31, 2020 through December 31, 2020, to include any business with not more than 500 employees (except that businesses with more than 500 employees in certain industries designated by the SBA are also eligible), individuals operating as sole proprietors or as independent contractors, and any cooperative, ESOP or tribal small business concern with not more than 500 employees. The applicant must have suffered "substantial economic injury" from COVID-19 in order to qualify for an EIDL loan. A business that receives a loan pursuant to the Paycheck Protection Program (PPP) is not eligible.

**Uses.** The loan may be used for payroll and other costs as well as to cover increased costs due to supply chain interruption, to pay obligations that cannot be met due to revenue loss and for other uses. Subject to further guidance from the SBA, these applicants are also subject to the SBA's affiliation rules governing financial assistance programs.

**Forgiveness/PPP.** While there are no loan forgiveness provisions applicable to EIDL loans, companies that have already applied for or received EIDLs due to economic injury attributable to the COVID-19 pandemic can seek to refinance their EIDL loans under the Paycheck Protection Program to take advantage of that program's loan forgiveness provisions.

**Approvals.** Applications for EIDL loans are submitted directly to the SBA. In order to expedite approval of EIDL applications the SBA can approve a loan based solely on the credit score of the applicant or other means of determining the applicant's ability to repay the loan, without requiring the submission of tax returns.

**Guarantees.** Personal guarantees are not required for EIDL loans up to \$200,000. Owners of more the 20% of the applicant must personally guaranty loans in excess of \$200,000. However, unless changed by the SBA, it appears that the requirement for collateral on EIDL loans over \$25,000 would still apply and the SBA must be satisfied that the applicant has the ability to repay the loan.

**Immediate Cash is Available.** A significant benefit under the CARES Act is the ability of an applicant to request an immediate advance of up to \$10,000 to pay allowable current working capital needs; the advance is expected to be paid by the SBA within 3 days and is essentially a grant which is not required to be repaid, even if the application is denied, but the amount of the advance must be deducted from any loan forgiveness amounts under a PPP loan.

**Terms.** The interest rate on EIDL loans is 3.75% fixed for small businesses and 2.75% for nonprofits. The EIDL loans have up to a 30-year term and amortization (determined on a case-by-case basis).



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