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*Economic
 Injury
 Disaster Loan*



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What You Need To Know About Applying For A COVID-19 Economic Injury Disaster Loan (EIDL)

As COVID-19 continues to impact the United States, the federal government is taking action to ease the burden on taxpayers. There are programs in place to help businesses through the pandemic. One of those programs is the Economic Injury Disaster Loan program (EIDL).

The EIDL isn't new. It's an existing program administered through the Small Business Administration (SBA). However, the stimulus bill (also called the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act) has expanded the program. To be eligible for the program, a business must have no more than 500 employees.

Here's what else you need to know:

How do I count employees? The Small Business Administration (SBA) calculates all individuals employed on a full-time, part-time, or other basis. You can find out more in the Regulations [here](#).

Today In: [Taxes](#)

Are there any exceptions to the 500 employee rule? There are some exceptions. Some notable exceptions include restaurants and hospitality businesses that may qualify if they have 500 or fewer employees per *location*. And, additionally, under the CARES ACT, some industries, including religious organizations, may have a cap based on receipts rather than employee size. You can find out more on [the SBA website](#).



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Okay, does it matter what I do for a living? Yes. You can't apply for a business that is engaged in illegal activities, lobbying, significant gambling (more than 1/3 of your revenue), or if you engage in "live performances of a prurient sexual nature or derive directly or indirectly more than *de minimis* gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature." Also, the owners can't be more than 60 days delinquent on child support obligations.

What about nonprofits? Yes. Nonprofits are eligible. This also includes faith-based organizations regardless of whether they provide secular social services. This includes churches who qualify for 501(c)(3) status - even if they have not applied to the IRS to receive tax-exempt status.

I work for myself. Am I eligible? Yes. Sole proprietorships, independent contractors, gig-economy workers, and self-employed individuals are also eligible for the EIDL program.

I feel like you've written about this before. Am I wrong? There's a similar loan program that's available for payroll expenses, the Paycheck Protection Program (you can read about [those PPP loans here](#)). But this one is a little different. Keep reading.

You said that this program existed before now. So what's the catch? The catch is that **to qualify, you have must have suffered a substantial economic injury and be located in a presidentially-declared disaster area.** However, on March 13, 2020, the President of the United States issued an emergency declaration under the [Robert T. Stafford Disaster Relief and Emergency Assistance Act](#). In other words, the entire country has now been declared a disaster area. That means that virtually any small business in the United States can consider a loan.

How much can I get? The maximum loan amount is \$2 million. Loans are based on your "actual economic injury" as determined by the SBA, less any recoveries such as insurance proceeds. If you decide that you need more money, you can, under some



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circumstances, ask for an increase in the loan amount within the two years following your initial loan approval.

That sounds like it will take some time. I need money now. Any help? If you need it, you can ask for an emergency grant advance of up to \$10,000 - the SBA says that you can get these in as little as three days. The loan advance will be forgiven if it is spent on paid leave, maintaining payroll, mortgage, or lease payments.

So what can I use the money for? It's pretty broad. You can use the money for payroll, rents or mortgages, or other operational costs. As with the PPP, you can't double-dip: no using funds for qualified sick and family leave wages if you're taking a tax credit for those costs under the Families First Coronavirus Response Act.

Are there any restrictions on the money? A few. Notably, you can't use an EIDL to refinance pre-existing debt or pay dividends.

Do I have to prove that my credit is already maxed, or that I couldn't get a loan anywhere else? No.

What does it cost? There are no upfront fees or early payment penalties charged by the SBA - but your accountant or other tax professional may charge fees to help you prepare the application.

What about collateral? Loans of \$25,000 or less require no collateral.

Personal guaranty? Waived for loans up to \$200,000 through December 31, 2020.

What kind of records do I have to provide? It's a loan, so you have to provide some financials. Fortunately, here's no first year tax return required (whew) since loans can be based on your credit score. But you do have to agree to let the SBA to review your tax records.



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So, long story short, I have struggled with getting a loan before because I got into a little legal trouble years ago. Does that disqualify me? Not necessarily. But the business would be excluded from the program if one of the owners who holds at least 20% of the equity of the company is currently incarcerated, on probation, on parole; subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction; or, has within the last FIVE years, been convicted or pleaded guilty or *nolo contendere* (no contest) to a felony, or been placed on pretrial diversion, parole or probation (including probation before judgment) for a felony.

What is the interest rate? The interest rate for EIDLs due to COVID-19 is 3.75% for small businesses and 2.75% for nonprofits.

How long is the program available? You must apply no later than December 16, 2020, in most states.

Can I apply for more than one kind of loan? If you have already received an EIDL loan (between January 31, 2020, and April 3, 2020), you can still apply for a PPP loan so long as you use them for different expenses. You can also refinance an EIDL loan into a PPP loan but note that if you do get a PPP loan, the \$10,000 grant will be subtracted from the PPP forgiveness amount

I know that PPP loans can be forgiven. What about EIDL (other than the advance you've already mentioned)? The short answer is no, outside of that advance. But an EIDL loan may be forgiven if it is refinanced under a PPP loan depending on the date the EIDL loan was taken out.

Other than the forgiveness amounts, what's the real difference between the PPP and the EIDL? Size and use. The EIDL is a loan intended to cover six months of operational expenses. In comparison, the PPP is a loan to



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primarily help you cover payroll for eight weeks. Also, the EIDL loan application is - allegedly - much more straightforward.

Okay, I'm in. Where can I sign up? You can [start on the SBA website](#).

What if I can't do this on my own? I highly recommend that you consult with your tax, banking, or legal professional.

I'm not sure about a loan. What else can I do to keep my employees on the payroll? If a loan doesn't appeal to you, other options are available. One of those provisions is the [Employee Retention Credit](#) or ERC, which is designed to help businesses keep employees on the payroll. You can read [more here](#).

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