

Economic Injury Disaster Loan Program Reopened

June 18, 2020 | **CLIENT ALERTS**

On June 15, 2020, the Small Business Administration (SBA) reopened the Economic Injury Disaster Loan (EIDL) program to all eligible borrowers. Prior to this, the EIDL program, after initially running out of funds, was restricted to borrowers that fell in the agriculture industry. The EIDL advance program is also reopened to all eligible borrowers.

The EIDL loan and advance program provide assistance to small businesses that have been impacted by the COVID-19 pandemic. The basic terms of the EIDL program remain the same as its original iteration. The loan amount will be determined by the SBA and will be based on the borrower's need as decided by the SBA. The loan proceeds may be used for most working capital needs and cannot be used to refinance any other outstanding debt the borrower may have.

Other terms of the EIDL program are as follows:

- Maximum loan amount of \$2 million;
- Repayment terms are variable and determined by the SBA, but may not exceed 30 years;
- The loans will have an interest rate of 3.75%; if borrower is a nonprofit the interest rate will be 2.75%; and
- First payment is deferred for one year.

EIDL advances can be secured in an amount up to \$10,000. The EIDL advance will be provided to borrowers at \$1,000 per employee, up to \$10,000. This advance does not need to be repaid and the borrower may keep the advance even if their application is rejected. If you have already received a Payroll Protection Program (PPP) loan, any EIDL advance amount will be deducted from the amount that is able to be forgiven for the PPP loan.

The maximum loan amount of \$2 million was cut to \$150,000 when the EIDL program was limited to borrowers in the agriculture industry, however it is presently unclear if that lower limit will remain in place as the SBA has yet to address that issue.

Borrowers who wish to apply for EIDL funds but have also applied for or have received PPP funds are permitted to do so. If the borrower has already applied for a PPP loan and has been using it for the purposes prescribed for the PPP by the CARES Act – payroll, utilities, rent and mortgage interest – the borrower may not use EIDL funds for the same purposes.

If you have any questions about the EIDL program, the PPP, or any other government loan program, please contact the attorney whom you work with at Lippes Mathias Wexler Friedman LLP or 716.853.5100.

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