

**Economic Injury Disaster Loans
Application Instructions and Guidelines**

Updated as of 4/15/2020 6:00 PM

This guide has been prepared by vcfo and includes instructions and guidance related to applying for Economic Injury Disaster Loans (EIDL) with the U.S. Small Business Administration. Information enclosed is subject to change and is effective as of date of this writing (April 15, 2020).

What is an EIDL?

- Economic Injury Disaster Loans are one of two types of disaster loans available by the SBA to eligible, US entities (the other being loans for physical damages to homes, real or tangible property).
- All states have now received disaster declarations making eligible entities in all US locations able to apply for an EIDL. The SBA disaster application number for Texas-based entities is TX-00544 and for Colorado-based entities is CO-00113. Federal disaster numbers for other states can be found here: <https://disasterloan.sba.gov/ela/Declarations/Index>
- \$2 million for economic injury loans.
- Repayment term of each loan will be determined on a case by case basis on terms up to 30 years.
- Interest will be 3.75% for businesses and 2.75% for eligible non-profit entities.
- Entities must meet the SBA's average size limitation of no more than 500 employees (including sole proprietorships, independent contractors, and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by COVID-19. Or otherwise meet the SBA's small business size standards (see items 3 and 4 in Additional Resources below for more information on measuring small business size standards with the SBA).
 - Are faith-based organizations, including houses of worship, eligible to receive SBA loans under the EIDL programs? Yes, the SBA clarified that faith-based organizations are eligible to receive SBA loans regardless of whether they provide secular social services.
 - Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.
- Proceeds may be used to pay fixed debts, accounts payable, payroll, and other operating costs of the applying entity. The Coronavirus Aid, Relief, and Economic Security (CARES) Act expanded the allowable use of EIDLs to include:
 - Working capital necessary to carry the business concern until resumption of normal operations
 - Expenditures necessary to alleviate the specific economic injury, but not to exceed that which the business concern could have provided had the injury not occurred
 - Providing paid sick leave to employees unable to work due to the direct effect of COVID-19
 - Maintaining payroll to retain employees
 - Meeting increased costs to obtain materials unavailable from the applicant's original source because of interrupted supply chains
 - Making rent or mortgage payments – Repaying obligations that cannot be met due to revenue losses
- Recipients of EIDLs may not use proceeds from EIDLs to:
 - Refinance indebtedness incurred prior to the disaster event

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- Make payments on loans owned by another federal agency (including the SBA) or an SBIC. Note that the SBA has indicated that existing disaster loans may be added to Payroll Protection Program (PPP) loans where such amounts may further modify PPP loan forgiveness amounts. An applicant may be able to apply for both PPP loans and an EIDL but the proceeds for both loans must not be used for the same purpose.
- Pay, directly or indirectly, any obligations resulting from a federal, state, or local tax penalty as a result of negligence or fraud, or any non-tax criminal fine, civil fine, or penalty for non-compliance with a law, regulation, or order of a federal, state, regional, or local agency or similar matter.
- Repair physical damage.
- Pay dividends or other disbursements to owners, partners, officers, or stockholders, except for reasonable remuneration directly related to their performance of services for the business concern.
- The EIDL and a PPP cannot be used for the same purposes. Fees charged by the SBA related to EIDLs have been waived.
- Personal guarantees related to EIDLs have also been waived.
- EIDL loan collateral requirements have been temporarily waived as the loans are currently 100% guaranteed by the US. Treasury.

How do you estimate or establish economic injury amounts related to an EIDL?

SBA Form 5 (for business entities) and Form 5A (for individuals and sole proprietorships) both request an estimate of the dollar amount of economic injury or damages that have been incurred related to the disaster. An example of information that an applicant may desire to assemble related to this item may be found in [SBA Form 1368](#). Form 1368 requests:

- Monthly Sales Figures by Calendar Month for the applicant for the three most recent fiscal years as well as Current Year-To-Date Monthly Sales amounts through the applicant's most completed calendar month.
- A financial forecast to illustrate what the business' income and expenses will be during the period following the disaster until normal operations resume. vcfo recommends a forecast of at least 24 months.

Form 1368 also provides an opportunity to submit any additional narrative or financial information you feel will help establish your economic loss.



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Regarding preparing a narrative, vcfo recommends the following:

1. Keep the narrative to less than one page.

Example: Restaurant A is a dine-in only restaurant and has been required by regulation (name the appropriate regulation or order, if possible) to cease meal and food operations for two months after which time it will be able to resume its normal dine-in operations.

2. Identify the loss of revenues, including losses incurred from the cancellation of contracts, orders, or purchases by customers related to COVID-19 and compliance with COVID-19 laws and regulations.

Example: Lost Revenues should be calculated for the period of expected inactivity with the restaurant.

3. Identify any disruptions to supply chains and ability to procure and sell product or inventory.

Example: Restaurant A is unable to sell perishable food product in its storage areas. Inventory costs related to such food items should be calculated and included in the narrative.

4. Identify any other costs and expenses incurred that are related to the business' responses and compliance with COVID-19.

Example: Restaurant A attempts to establish a delivery service for orders with its customers during the period of inactivity. In order to establish this service, new food handling and disinfecting procedures are required for product and delivery personnel. Such additional costs are calculated and included in the narrative.

5. Assess the decline in the entity's overall cash flow before and after the disaster. If you can, assess the timing of when cash flows would be able to be restored to pre-disaster levels. If you cannot assess this timing, describe the contingencies and dependencies that exist in order to make this type of determination.

Example: Restaurant A may only resume normal operations after the local health authority declares that it may resume normal operations. No current timeline is provided but such contingency (upon public health order) is disclosed in the narrative.

Form 1368 is not a required form by the SBA, but may help to assess the amount of economic damages sustained by the applicant related to COVID-19. You may want to include a one-page summary document outlining the request.

Form 1368 can be found here:

[https://disasterloan.sba.gov/ela/Documents/Monthly_Sales_Figures_\(1368\).aspx](https://disasterloan.sba.gov/ela/Documents/Monthly_Sales_Figures_(1368).aspx)



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How to Apply for an EIDL

Complete an online application (<https://covid19relief.sba.gov/#/>) or submit by mail or in-person at a SBA disaster center. When completing the SBA online application, generally, you will be asked for the following:

- a. Certify that the applicant is an eligible entity. Eligible entities will have fewer than 500 employees. Note that affiliated entities may apply.
- b. Certify that the operations of the applicant make it an eligible entity.
- c. Provide Required Business Information.
 - i. Name, address, entity type and Tax Identification Number of Applicant.
 - ii. Enter Total Gross Revenue and Cost of Revenues as of Jan. 31, 2020 (or as of the most recently completed full month of operations) and for the prior 12 months for COVID-19 applications.
 - iii. Enter similar information for Cost of Operations / Annual Operating Expenses for qualified non-profits and secular social services provided by faith-based organizations for the prior 12 months as of January 31, 2020 (or the most recently completed full 12 months of operations).
 - iv. Contact information and primary business activity.
 - v. Determine and provide any other sources that may compensate applicant related to losses related to the disaster. An example of such other sources are proceeds from business interruption policies. Note that many business interruption policies apply only to coverages for loss, damages and expenses incurred related to actual physical damage. Many policies provide exclusions for coverage related damages resulting from infectious or communicable diseases. Please check with your insurance broker and/or insurance carrier regarding coverages available, if any, from existing business interruption policies.
 - vi. Provide name, contact information and tax identification numbers (social security numbers) for each owner that owns twenty percent (20%) or more of the voting stock of the applicant.
 - vii. Certify that Applicant meets additional legal requirements and information.
- d. Provide the name of any person or agent who has assisted applicant with completing the application.
- e. Determine if applicant would like to be considered to receive a \$10,000 advance related to its application. vcfo recommends where possible that its clients request the advance of up to \$10,000 upon submission of a completed application.
 - i. Provide applicant's Bank Name where funds are to be deposited
 - ii. Provide applicant's bank account number
 - iii. Provide Bank's ABA or routing number
- f. Upon review and acceptance of the final terms and conditions check the box labeled "I hereby certify UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE UNITED STATES that the above is true and correct." And click submit.



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- g. Once “submit” has been clicked, this sends the original application to the SBA for review of the EIDL. An SBA Loan Officer and/or Case Manager shall contact Applicant and request any additional information from Applicant needed to make a determination on the EIDL request. Note that additional forms may be requested by the Loan Officer or Case Manager and those forms may be requested to be loaded in electronic format through the Box method described below.

(A brief note regarding the SBA’S Box submission process: The SBA has experienced a high volume of applications related to its EIDL program. Consequently, it has provided an alternative method for applicants to directly download application and supporting forms and then submit them to the SBA via Box. This method is considered a comparatively neutral method for applicants to submit their EIDL applications and forms should the SBA’s website experience heavy traffic when access to the online submission forms are not readily accessible or available. Please see additional information on the Box submission process in the next section.)



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An Alternative Method to Submit EIDL Applications and Forms Online

The SBA, upon review of an applicant's EIDL application, may request that the applicant load additional information to its Box file share area.

The following forms may be downloaded and submitted through the SBA Box method. These forms are all on the SBA's website and capture the same information requested in the EIDL online application process.

An Index with instructions for each of the following forms with their names and a description of information required can be found here: <https://www.sba.gov/disaster/apply-for-disaster-loan/index.html>

We've experienced that the URLs we are providing are periodically being changed or moved. Please refer to this page to find all the forms listed below:

<https://disasterloan.sba.gov/ela/Information/PaperForms>

These completed forms may be submitted to the SBA via Box or otherwise may be mailed to the SBA or delivered in-person to an SBA disaster center once completed and signed (where required).

- h. Download, complete, sign and submit SBA Form 5 or Form 5c.
 - i. Form 5:
[https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20\(SBA%20Form%205\).aspx](https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20(SBA%20Form%205).aspx)
 - ii. Form 5c:
[https://disasterloan.sba.gov/ela/Documents/Disaster%20Home%20Loan%20Application%20\(SBA%20Form%205c\).aspx](https://disasterloan.sba.gov/ela/Documents/Disaster%20Home%20Loan%20Application%20(SBA%20Form%205c).aspx)
- i. The following additional forms may be requested upon review of each EIDL application:
 - i. Form 413D:
https://disasterloan.sba.gov/ela/Documents/Personal_Financial_Statement.aspx
 - ii. Form 4506-T:
[https://disasterloan.sba.gov/ela/Documents/Request%20for%20Transcript%20of%20Tax%20Return%20\(IRS%20Form%204506T\).aspx?pt=Business&ff=true&sp=1](https://disasterloan.sba.gov/ela/Documents/Request%20for%20Transcript%20of%20Tax%20Return%20(IRS%20Form%204506T).aspx?pt=Business&ff=true&sp=1)
 - iii. Form 2202:
https://disasterloan.sba.gov/ela/Documents/Schedule_of_Liabilities.aspx
 - iv. Form 1368:
[https://disasterloan.sba.gov/ela/Documents/Monthly_Sales_Figures_\(1368\).aspx](https://disasterloan.sba.gov/ela/Documents/Monthly_Sales_Figures_(1368).aspx)



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- v. Form 159D:
[https://disasterloan.sba.gov/ela/Documents/Fee_Disclosure_Form_and_Compe nsation_Agreement_\(159D\).aspx](https://disasterloan.sba.gov/ela/Documents/Fee_Disclosure_Form_and_Compe nsation_Agreement_(159D).aspx)

VCFO GUIDANCE: BEST PRACTICES AND RECOMMENDATIONS

Guidance: vcfo advises that applications and supporting documents and materials be submitted through the SBA's online application process based on advice provided by the SBA, as this likely will be the quickest way to submit and have an application reviewed.

Guidance: Note that the SBA has also setup a Box transmit method to receive required or additional documents from EIDL applicants. vcfo advises that all documents under any submission method be converted to electronic formats in order to quickly provide them if required to the SBA.

Guidance: When counting employees: employees include full-time, part-time, and temporary employees (all are counted the same as full-time employees). The count is based on the average number of employees based on the numbers of employees for each of the pay periods for the preceding 12 calendar months (if less than 12 months then the pay periods during which the entity has been in existence). **The average number of employees of affiliates may need to be added to the average number of employees when calculating employee counts.** Affiliation with another business is based on the power to control, whether exercised or not. The power to control exists when an external party has 50 percent or more ownership. It may also exist with considerably less than 50 percent ownership by contractual arrangement or when one or more parties own a large share compared to other parties.

Guidance: Related to business and current ownership information, note that you will need a current ownership table. Ownership information is required for each: 1) proprietor, or 2) limited partner who owns 20% or more interest and each general partner, or 3) stockholder or entity owning 20% or more voting stock. Note that you may need to refer to the entity's organizing documents and will need mailing addresses and federal tax identification numbers and social security numbers for owners to complete this section. In addition, we may need information related to any existing business or business interruption policies which may respond with proceeds related to the disaster event. Note, however, that most business interruption policies will have exclusions related to expenses or losses related to infectious or communicable diseases. vcfo advises clients to check with their carriers and brokers should such coverages be in place to make these determinations.

Guidance: vcfo recommends where possible a request of the advance of up to \$10,000 upon submission of a completed application.

Guidance: Note that Form P-019 asks if the applicant has been in business for at least one year to qualify for expedited loan processing. It is unclear to vcfo as this time what an expedited versus non-expedited review means with the SBA.



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RESOURCES AND LINKS

1. A list of COVID-19 disaster declarations can be found here:
<https://disasterloan.sba.gov/ela/Declarations/Index>
2. General instructions and an index to required and requested SBA forms can be found here:
<https://www.sba.gov/disaster/apply-for-disaster-loan/index.html>
3. The SBA'S rules on employee counts can be found here:
https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=7780ee089107f59ef3f78b938e2282b7&r=PART&n=13y1.0.1.1.17#se13.1.121_1106
4. The SBA provides a downloadable form on affiliation for size standards which can be found here:
<https://www.sba.gov/document/support--affiliation-guide-size-standards>
5. Frequently Asked Questions for Faith-Based Organizations Participating in the PPP and EIDL loan programs
<https://www.sba.gov/document/support--faq-regarding-participation-faith-based-organizations-ppp-eidl>