

NEW: ECONOMIC INJURY DISASTER LOAN (EIDL) GRANT

Frequently Asked Questions as of 4/24/20



Empire State
Development

What is an Emergency EIDL Grant?

- A borrower applying for EIDL can request an advance on the loan of up to \$10,000 from the Small Business Administration (SBA).
- The up to \$10,000 advance will be considered an Emergency EIDL grant.
- The grant amount is based on \$1,000 per employee.
- The borrower will not be required to pay back the Emergency EIDL Grant even if they are subsequently denied for an EIDL loan.
- In advance of disbursing the advance payment, the SBA will require that the borrower file a certification, under penalty of perjury, that they are eligible to apply for a EIDL loan.

Can I apply for EIDL grants and loans as a sole proprietor, ESOPs, non-profits, or a Tribal business?

- Yes, eligibility has been expanded to include:
 - Tribal businesses;
 - Cooperative;
 - ESOPs with fewer than 500 employees;
 - Any individual operating as a sole proprietor; and
 - An independent contractor during January 31, 2020 to December 31, 2020.

Can I apply for COVID-19 EIDL with a business operating for less than a year?

- Yes.

Do I need to provide a personal guarantee on EIDL loans?

- The SBA waived any personal guarantee on advances and loans below \$200,000.
- For loan amounts over \$200,000, the SBA may require personal guarantees.

What are the underwriting criteria for EIDL loans?

- The SBA can approve and offer EIDL loans based solely on an applicant's credit score or use an appropriate alternative method for determining applicant's ability to repay.

What can I use the advance payment for?

- Advance payment may be used for:
 - Providing paid sick leave to employees;
 - Maintaining payroll;
 - Meeting increased costs to obtain materials;
 - Making rent or mortgage payments; or
 - Repaying obligations that cannot be met due to revenue losses.

Will advance payment be deducted from PPP loan forgiveness?

- Yes. If the applicant transfers into a loan made under SBA's Paycheck Protection Program. The advance payment will be considered when determining loan forgiveness.

When does EIDL grant program end?

The Emergency EIDL Grants will end on December 30, 2020.

What types of businesses are eligible to apply?

- Small businesses;
- Small agricultural cooperatives,
- Small aquaculture businesses;
- Agricultural Enterprises;
- Most private non-profit organizations
- Tribal businesses;
- Cooperative;
- ESOPs with fewer than 500 employees;
- Any individual operating as a sole proprietor; and
- An independent contractor during January 31, 2020 to December 31, 2020.

For more information, please visit esd.ny.gov

What is the definition of a small business under this program?

- Businesses with 500 or less. The SBA size standards show by NAICS code for each type of business: <https://www.sba.gov/size-standards>

How much can I borrow?

- Businesses may qualify for loans up to \$2 million.
- Eligibility is based on the size and type of business.

What are the loan interest rates?

- The interest rate is 3.75% for small businesses.
- The interest rate for non-profits is 2.75%.

How can I use loan funds?

- Loan funds can be used as working capital to pay fixed debts, payroll, accounts payable and other bills that could have been paid had the disaster not occurred.

What is fixed debt?

- Fixed debt is a permanent debt, or a debt continuing for an extended period.

How long do I have to submit my loan documents?

- Submit your application as soon as possible. Applications can be submitted at <https://covid19relief.sba.gov/#/>
- Deadline to submit your application is December 21, 2020.

How can I get assistance with my SBA application?

- NYS Small Business Development Centers (SBDC) and NYS Entrepreneurship Assistance Centers (EAC) and can assist small businesses with the application. For more information:
- SBDC: <http://nysbdc.org/appointment.html>
- EAC: <https://esd.ny.gov/sites/default/files/EAC%20Contact%20List.pdf>
- CDFI: https://esd.ny.gov/sites/default/files/CDFI21_ContaktList.pdf

As a small business, what documents would I need to submit to prove my business suffered economic injury as a result of the Coronavirus?

- Substantial economic injury occurs when a business concern is unable to meet its obligations as they mature or to pay its ordinary and necessary operating expenses.
- Establishing economic injury is a comparison between the financial information from the period in the prior year to the injury period of the current year (this period must be associated to the disaster and cannot be attributed to a downturn in local economy or other unrelated issues).
- The loans are not intended to replace lost sales or profits, rather they are intended to pay fixed debts, payroll, accounts payable, and other expenses that could have been paid had the disaster not occurred.

How can a business owner document physical presence in the declared disaster area?

- An applicant must show they have tangible presence such as lease, property address, property tax receipt.
- Merely having a P.O. Box in the disaster area would not qualify as a physical presence.

What are the repayment terms of the loan?

- SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years.
- Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

Will someone notify an applicant if information is missing from an application?

- An SBA loan officer works with you to provide all the necessary information needed to reach a loan determination.
- The goal is to arrive at a decision on your application within 2-3 weeks.

How will the business owner know if the loan request has been approved?

- A loan officer will contact you to discuss the loan recommendation and your next steps.
- You will also be advised in writing of all loan decisions.

How quickly can a loan application move to closing and loan funds be disbursed?

- Timing depends on the completeness of the application.
- An SBA loan officer will work with you to provide all the necessary information needed to reach a loan determination.
- The goal is to arrive at a decision on your application within 2-3 weeks.
- If approved, the SBA will prepare and send your Loan Closing Documents to you for your signature.
- Once they receive your signed Loan Closing Documents, an initial disbursement will be made to you within 5 days for Economic injury- working capital of \$25,000).
- An SBA case manager will be assigned to work with you to help you meet all loan conditions.

- They will also schedule subsequent disbursements until you receive the full loan amount.

What if my circumstances change and I need more money than I originally applied for?

- Your SBA loan may be adjusted after closing due to your changing circumstances, such as increasing the loan for unexpected costs or reducing the loan due to additional insurance proceeds.
- Please contact your SBA case manager for more details.

What if I have an existing SBA Disaster Loan?

- Applicants can have an existing SBA Disaster Loan and still qualify for an Economic Injury Disaster Loan for this disaster, but the loans cannot be consolidated.

What happens if a loan request is denied?

- If the loan request is denied, the applicant will be given up to six months in which to provide new information and submit a written request for reconsideration.