

# SBA Economic Injury Disaster Loan Program



## Fact Sheet and Q&A

To view the **Economic Injury Disaster Loan (EIDL) application**, visit <https://disasterloan.sba.gov/>.

The U.S. Small Business Administration (SBA) is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).

**California, Arizona and Nevada are eligible areas.** There is a section on the SBA website confirming designated areas.

- The SBA makes loans available to privately held businesses and private, non-profit organizations in designated areas of a state or territory to help alleviate economic injury caused by the Coronavirus (COVID-19).
- There is some contradictory information regarding what is considered an eligible small business based on size. If you fall within the eligible SBA Size Standard, there should be no issue: <https://www.sba.gov/size-standards/>. The SBA is asking that no applicant disqualifies themselves based on their size. Let the SBA make the final determination since the program is changing in real time.
- SBA's Economic Injury Disaster Loans offer **up to \$2 million in assistance** and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. They cannot be used to refinance long term debt or paying off Federal debt.
- The interest rate is 3.75% for small businesses without credit available elsewhere; businesses with credit available elsewhere are not eligible. The interest rate for non-profits is 2.75%.
- These will be loans with long-term repayment, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.
- Business owners are not able to request a specific loan amount. Each loan amount will be determined by the SBA.

## WHO IS ELIGIBLE?

A **small business, small agricultural cooperative, small business engaged in aquaculture, or private non-profit organization.**

See *ineligible business list on reverse*.

- Applicants must have a credit history acceptable to the SBA.
- Applicants must show the ability to repay all loans (pre-COVID-19).
- Businesses must be able to show and demonstrate what their monthly cash usage rate is anticipated to be, month by month, through year end 2020.
- Loans over \$25,000 require collateral.
- The SBA takes real estate collateral when it is available. The SBA will not decline a loan for lack of collateral, but requires borrowers pledge what is available.
- Loan funding generally takes 2-3 weeks after a complete package has been received by the SBA.
- Business owners will be working directly with a government employed SBA lender. The application process **does not go through Western Alliance Bank**.
- When completing the application, the reason for the loan request should be due to **Economic Injury**. Be prepared to provide a statement outlining the reason(s) for the requested deferment, and reason(s) why the borrower believes that it is a short-term issue.

## WHAT INFORMATION WILL BE NEEDED?

When completing the online application, the process will detail the information that will be required. This will include:

- Complete copies of the most recent Federal Income Tax Return for the business, each principal owning 20% or more and each affiliate business
- Personal Financial Statement for each principal owning 20% or more of the business (SBA Form 413)
- Schedule of Liabilities (SBA Form 2202)
- If 2019 Tax Return was not filed, provide 2019 year-end financial statements (12-month Profit & Loss and 12/31/19 Balance Sheet) for the borrowing company and any affiliate companies
- Projected Profit and Loss Statement

## INELIGIBLE BUSINESSES

**Primary Activity:** The primary industry of the applicant and its affiliated group must be an otherwise eligible activity for the applicant to be eligible, regardless of the nature of the loss activity. Most businesses are eligible so it is easier to identify those that are ineligible:

- **Religious Organizations**
- **Charitable Organizations**
- **Consumer and Marketing Cooperatives** (except small agricultural co-ops)
- **Gambling Concerns** that derive more than one-third of their annual gross revenue from legal gambling activities
- **Casinos & Racetracks** (Businesses whose purpose for being is gambling (e.g., casinos, racetracks, poker parlors, etc.) are not eligible for EIDL assistance regardless of one-third criteria above.)
- **Concerns Engaged in Illegal Activities**
- **Lending or Investment Concerns**
- **Speculative Activities**
- **Pawn Shops** that derive 50% or more of previous years income from interest
- **Real Estate Developers** who are engaged in subdividing real estate property into lots and developing it for resale on their own account
- **Multi-Level Sales Distribution (Pyramid) Concerns**
- **Loan Packagers** who derive 30% or more of their annual income from the preparation of applications seeking financial assistance from the SBA
- **Concerns with principals incarcerated, on parole or probation** (The concern remains ineligible if the parole or probation is lifted solely because it is an impediment to obtaining a loan.)
- **Government Owned Entities** (except for businesses owned or controlled by a Native American tribe)
- **Political or Lobbying Concerns**
- **Concerns engaged in the sale of products or services or live performances** of a prurient sexual nature
- **Concerns not located in a declared disaster area**



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