

Guide to SBA COVID-19 Economic Injury Disaster Loan Program

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The U.S. Small Business Administration (SBA) is offering low-interest federal disaster loans for working capital for small businesses and private non-profits in North Carolina and other states impacted by COVID-19, commonly known as the coronavirus. The SBA is encouraging all small businesses and private non-profits impacted by COVID-19 in affected states to apply now, with hopes of getting the money in the hands of those who need it in just a few weeks. Here are the highlights of the SBA Economic Injury Disaster Loan Program (SBA EIDL).

Who is eligible? All small businesses and private non-profits impacted by COVID-19 with *physical presence* in an affected state are eligible for assistance under the SBA EIDL. A current list of designated states can be found online [here](#). A small business does not need to have been previously denied by a bank in order to be eligible for assistance under the SBA EIDL.

What are the financing terms? Term loans are available from amounts as small as a few thousand dollars up to \$2 million. The interest rate is 3.75% for small businesses and 2.75% for private non-profits. Repayment terms are determined on a case-by-case basis, based upon each borrower's ability to repay, with a maximum repayment period of 30 years. Loans under \$25,000 are unsecured. Loans above \$25,000 are secured by business and/or personal assets; however, if you do not have any assets or have already granted liens on your existing assets to support other loans, you will not automatically be denied. If, however, you have existing loans or have granted liens on your existing assets, be sure to review your existing loan documents or consult with your legal counsel to determine if applying or receiving a loan under the SBA EIDL would violate any covenants in your existing loan documents.

What can the money be used for? The money can be used for paying fixed debts, accounts payable, payroll and other bills that cannot be repaid because of the impact of COVID-19. A loan under the SBA EIDL cannot be used for business expansion or to refinance existing debts. The disaster declaration with respect to North Carolina is retroactively made

effective as of January 31, so any losses the business has incurred since then may be used in determining the loan amount.

How long will it take to get the money?The SBA is estimating it will take between eight and 21 days to process the loan application, depending on the complexity of the business and the number of applications received. Once the loan has been approved, the SBA currently estimates that it will take approximately five days to receive the money.

What if I don't know if I will need a loan?The SBA is encouraging all small businesses and private non-profits in need of assistance due to the economic impact of COVID-19 to apply, and suggests starting sooner rather than later. You do not have to take the loan if you apply and are approved and later determine that you do not want or need the money. You may also apply now and take an initial disbursement and apply again later if you determine more money is needed.

How do I apply for a loan?Applications can be found online [here](#). Applicants are encouraged to apply online. To facilitate the application process, please have all of your information and paperwork available when you apply. Providing an incomplete application will slow the loan process down and/or result in denial of a loan.

More information about the SBA EIDLDP can be found [here](#).

Brooks Pierce is dedicated to keeping our clients fully informed during the COVID-19 crisis. For more information, please visit our [COVID-19 Response Resources](#) page.