

## Emergency Economic Injury Disaster Loans

In addition to expansion of the SBA's Business Loan Program described above, the CARES Act expands the EIDL program. The covered period for this section is January 31, 2020 to December 31, 2020. In addition to current eligible entities, the following may receive SBA disaster loans:

- A business with 500 or fewer employees;
- Sole proprietorships, with or without employees, and independent contractors;
- Cooperatives with 500 or fewer employees;
- ESOPs with 500 or fewer employees; and
- Tribal small business concerns.

The CARES Act makes the following additional changes to the EIDL program during the covered period for loans made in response to COVID-19:

- Waives rules related to personal guarantees on advances and loans of \$200,000 or less for all applicants;
- Waives the "1 year in business prior to the disaster" requirement (except the business must have been in operation on January 31, 2020);
- Waives the requirement that an applicant be unable to find credit elsewhere; and
- Allows lenders to approve applicants based solely on credit scores (no tax return submission required) or "alternative appropriate methods to determine an applicant's ability to repay."

Entities applying for loans under the Disaster Loan Program in response to COVID-19 may, during the covered period, request an emergency advance from the Administrator of up to \$10,000, which does not have to be repaid, even if the loan application is later denied. The Administrator is charged with verifying an applicant's eligibility by accepting a "self-certification." Advances are to be awarded within three days of an application.

Advances may be used for purposes already authorized under the SBA Disaster Loan Program, including:

- Providing sick leave to employees unable to work due to direct effect of COVID-19;
- Maintaining payroll during business disruptions during slow-downs;
- Meeting increased supply chain costs;
- Making rent or mortgage payments; and
- Repaying debts that cannot be paid due to lost revenue.

Advances made under the EIDL may be rolled into 7(a) loans under the Paycheck Protection Program.

The CARES Act would deem all states and their subdivisions to have sufficient economic damage to small business concerns to qualify for assistance under this loan program (rather than the current state declaration and certification approach).