
FISCAL UPDATE Article

Fiscal Services Division

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COVID-19 — U.S. SMALL BUSINESS ADMINISTRATION ECONOMIC INJURY DISASTER LOANS PROGRAM — OCTOBER 2020

Economic Injury Disaster Loans Program. The U.S. Small Business Administration (SBA) [Economic Injury Disaster Loans \(EIDL\) Program](#) is a loan program designed to provide states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of COVID-19. Upon a request received from a state's or territory's governor, the SBA will issue under its own authority, as provided by the federal Coronavirus Preparedness and Response Supplemental Appropriations Act ([H.R. 6074](#)), an EIDL assistance declaration. Under the Program:

- Any EIDL assistance declaration issued by the SBA makes loans available statewide to small businesses and private nonprofit organizations to help alleviate economic injury caused by COVID-19. This will apply to current and future disaster assistance declarations related to COVID-19.
- The SBA's Office of Disaster Assistance coordinates with the state's or territory's governor to submit the request for EIDL assistance.
- Once a declaration is made, the information on the application process for EIDL assistance will be made available to affected small businesses within a state.
- The loans may be used to pay fixed debts, payroll, accounts payable, and other bills that cannot be paid because of the disaster's impact. The interest rate is 3.75% for small businesses. The interest rate for nonprofit organizations is 2.75%.
- The 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.
- The loan includes automatic one-year deferment on repayment so the first payment is not due for a full year.

Small business owners in all U.S. states, Washington, D.C., and territories may be eligible to apply for an EIDL of up to \$2.0 million because of the COVID-19 disaster. The loan is made by the SBA directly, and a \$10,000 advance on the loan can be requested as well. This loan advance will not have to be repaid.

The SBA was accepting only new EIDL and EIDL advance applications on a limited basis to provide relief to U.S. agricultural businesses. Agricultural businesses include those businesses engaged in the production of food and fiber, ranching and raising of livestock, aquaculture, and all other farming and agricultural-related industries (as defined by section 18(b) of the federal [Small Business Act](#) (15 U.S.C. 647(b))). On June 15, 2020, the SBA began accepting new EIDL and EIDL advance applications from all qualified small businesses and U.S. agricultural businesses.

According to [data](#) provided by the SBA, as of September 14, 2020, a total of approximately \$1.010 billion in loans has been issued to approximately 16,800 Iowa businesses.

Economic Injury Disaster Loan Emergency Advance. All businesses applying for an EIDL were eligible to also apply for a \$10,000 advance on the loan. On July 11, 2020, the SBA announced the conclusion of the EIDL Advance Program after allocating the \$20.0 billion appropriated by Congress. This advance does not have to be repaid, even if the applicant is not actually approved for the EIDL. Applicants had to be adversely impacted by COVID-19 and had to be a small business with 500 or fewer employees. Businesses in certain heavily impacted industries may have also been eligible even if they

have more than 500 employees. Private nonprofit organizations or 501(c)(19) veterans' organizations that meet the employee number requirement would also have been eligible.

According to [data](#) provided by the SBA, as of July 15, 2020, a total of approximately \$97.2 million in EIDL advances has been issued to almost 30,000 Iowa businesses.

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