



SBA EIDL and Emergency EIDL Grants for COVID-19

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Congress increased eligibility for certain businesses and organizations for Small Business Administration (SBA) economic injury disaster loans (EIDL) and established an Emergency EIDL Grant program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act; [P.L. 116-136](#)) to provide short-term, economic relief to certain small businesses and nonprofits affected by COVID-19. This Insight provides a brief overview of EIDL, including eligibility and loan terms. It also provides an overview of Emergency EIDL Grants, and describes how EIDL can be used in conjunction with [Paycheck Protection Program \(PPP\) loans](#). EIDL eligibility and loan terms under the CARES Act differ from EIDL provided for other disasters. For non-coronavirus EIDL information, see [SBA Disaster Loan Program: Frequently Asked Questions](#).

EIDL Overview

EIDLs provide up to \$2 million, with a loan term of up to 30 years, which can be used to pay for expenses that could have been met had the disaster not occurred, including working capital needs such as fixed debt and payroll and other operating expenses. COVID-19-related EIDLs have an interest rate of 3.75% for businesses and 2.75% for nonprofits and have an automatic one-year deferment on repayment (the first payment is not due for one full year, although interest does accrue).

EIDL Eligibility

Under the CARES Act, COVID-19-related EIDL eligibility has been expanded, through December 31, 2020, to include businesses with 500 or fewer employees; sole proprietorships (with or without employees); independent contractors; cooperatives; employee-owned businesses; tribal businesses; and agricultural enterprises with 500 or fewer employees. EIDL eligibility also includes small agricultural cooperatives, small aquaculture businesses, and nurseries deriving more than 50% of their annual receipts from the production of nursery or other agricultural products.

Private nonprofit organizations of any size are also eligible, if they have an effective ruling letter from the IRS granting tax exemption under Sections 501(c), (d), or (e) of the Internal Revenue Code of 1954, or satisfactory evidence from the state that the non-revenue producing organization or entity is a nonprofit organization or doing business under state law.

Public nonprofit organizations and several specific business types, such as political and lobbying businesses and government-owned businesses, are not eligible for EIDL assistance.

Emergency EIDL Grants

The CARES Act established the Emergency EIDL Grant program to provide EIDL advance payments of up to \$10,000. The advance payment does not need to be repaid, even if the borrower is later denied the EIDL. Due to high demand, the SBA is limiting the grant to \$1,000 per employee, up to the statutory cap of \$10,000. The Emergency EIDL grant (also referred to as an EIDL advance) may be used to keep employees on payroll, pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent, and mortgage payments. The applicant must request the advance when applying for an SBA EIDL.

EIDL and PPP

The CARES Act also established a [Paycheck Protection Program \(PPP\)](#) to provide "covered loans" with a 100% SBA loan guarantee, a maximum term of 10 years, and an interest rate not to exceed 4% to assist small businesses and other organizations adversely affected by COVID-19. The SBA announced that PPP loans will have a two-year term at a 1.0% interest rate.

Eligible entities that receive an EIDL (including EIDLs unrelated to COVID-19) between January 31, 2020, and June 30, 2020, may also apply for a PPP loan. Borrowers may then roll over their EIDL into a PPP loan. However, EIDL and PPP cannot be used for the same purposes. If a borrower refinances the EIDL into a PPP loan, any advance amount received under the Emergency EIDL Grant Program would be subtracted from the amount forgiven in the PPP.

More information on COVID-19 funding options for small businesses can be found at the [SBA's relief option website](#).