

# SBA Economic Injury Disaster Loans for COVID-19

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The current [COVID-19 pandemic](#) may have significant [economic implications](#) for businesses and nonprofit organizations, including negative impacts on imports, [global supply chains](#), and [tourism](#). Furthermore, if [COVID-19 becomes increasingly widespread](#) or prolonged it may [slow global growth](#), and some businesses may be forced to [furlough](#) or [lay off workers](#). One potential form of assistance to small businesses is [Small Business Administration \(SBA\) economic injury disaster loans \(EIDLs\)](#).

## EIDL Overview

EIDLs provide [eligible](#) small businesses and nonprofit organizations up to \$2 million to help meet financial obligations and operating expenses that could have been met had the disaster not occurred. Loan proceeds can only be used for working capital necessary to enable the business or organization to alleviate the specific economic injury and resume normal operations. Interest rates for EIDLs are statutorily set at 4% per annum or less and can have maturities up to 30 years. Collateral is generally required for loans over \$25,000 if it is available, though SBA will not decline loans for a lack of collateral.

EIDLs are available only to businesses and private and nonprofit organizations that are located in a declared disaster area, have suffered substantial economic injury, are unable to obtain credit elsewhere, and are defined as small by [SBA size regulations](#). Small businesses in declared counties (and contiguous counties) [apply directly to the SBA](#) for EIDLs.

## SBA Declaration Activity

On March 6, 2020, Congress signed into law [P.L. 116-123](#). In addition to providing supplemental funding to several agencies, the act deemed the [coronavirus disease \(COVID-19\) outbreak](#) a declarable disaster under the Small Business Act. The amendment allows the Small Business Administrator to issue disaster declarations that make SBA EIDLs available to eligible small businesses.

On [March 16, 2020](#), the SBA Administrator began issuing [declarations](#) for SBA EIDLs in response to states seeking SBA disaster assistance for small businesses. SBA EIDL declarations are not automatic, they must be requested by a state governor. Historically, to be eligible SBA has required a state or territory to "provide documentation certifying that at least five small businesses have suffered

substantial economic injury as a result of the disaster, with at least one business located in each declared county/parish." [Under new criteria issued by the SBA](#), states/territories now "are only required to certify that at least five small businesses within the state/territory have suffered substantial economic injury, regardless of where the businesses are located."

## **Additional Declarations That Trigger SBA EIDLs**

EIDLs may also be made available pursuant to a disaster declaration authorized by the SBA, based on a notification from the [Secretary of Agriculture](#) or the [Secretary of Commerce](#), if a governor certifies that eligible small businesses have suffered substantial economic injury as a result of commercial fishery failures or fishery resource disasters.

The third type of declaration authorizing EIDLs is a [major disaster declaration](#) issued by the President under the [Robert T. Stafford Disaster Relief and Emergency Assistance Act](#) that authorizes both [Individual Assistance \(IA\)](#) and [Public Assistance \(PA\)](#). There is some debate whether an infectious disease outbreak could be considered a major disaster given that the list of incidents that explicitly qualify as a major disaster under the Stafford Act does not include outbreaks of infectious diseases. In the past some incidents were considered ineligible due to definitional reasons (such as [the major disaster denial for the Flint water contamination incident](#)). Moreover, the thresholds used to determine whether to provide IA and PA are based on damages to homes and public infrastructure. It is unclear how COVID-19 damages would be evaluated to determine whether a state warranted a major disaster declaration. The President, however, has stated that COVID-19 is of "[such severity and magnitude nationwide that requests for a declaration of a major disaster ... may be appropriate](#)" if requested by a state governor or tribal chief (tribal nations under the Stafford are entitled to the same types of assistance as a state).

It is important to note that [the COVID19 emergency declarations issued on March 13, 2020](#), by the President, including the emergency declared under the Stafford Act, did not trigger SBA EIDLs.