

DEANDORTON

Insights



## Economic Injury Disaster Loans to be Available to Kentucky's Small Businesses

The Small Business Administration (SBA) issued a disaster declaration late Friday, March 20, 2020, for *all counties* in Kentucky, and some counties in contiguous states, due to the coronavirus – COVID-19. This declaration means economic injury disaster loans (EIDLs) will be available to qualifying small businesses throughout the Commonwealth. Here is a summary of the program.

### What is an EIDL?

An EIDL is a working capital loan to help small businesses meet their ordinary and necessary financial obligations that cannot be met as a direct result of COVID-19. The loans are intended to assist small businesses through the disaster recovery period. EIDLs cannot be used to refinance long-term debts.

### What types of businesses qualify for an EIDL?

Small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations will qualify.

### What is a "small business"?

Great question! The SBA and other federal programs use a size standard, which is usually stated in number of employees or average annual receipts. The definition of "small" varies by industry, but helpful information may be found at this website: <https://www.sba.gov/document/support--table-size-standards>.

### How much money can I borrow?

The actual amount of each loan is limited to the economic injury determined by the SBA, less business interruption insurance and other recoveries. The SBA also considers potential contributions that are available from the business and/or its owners. EIDLs are limited by law to \$2,000,000, but the SBA can waive that limit in certain circumstances.

### What are the loan terms and interest rate?

While the law authorizes loan terms up to a maximum of 30 years, an appropriate installment payment based on the financial condition of each borrower will determine the loan term. The interest rate is determined by formulas and is fixed for the life of the loan. The maximum interest rate for this program is 3.75%.

### **[What are the credit requirements?](#)**

An applicant must have an acceptable credit history and the ability to repay the loan. In addition, collateral is required for all loans over \$25,000. However, SBA will not decline a loan for lack of collateral, but SBA will require the borrower to pledge collateral that is available.

### **[What is the application process?](#)**

You may apply for an EIDL online, receive additional disaster assistance information, and download applications at <https://disasterloan.sba.gov/ela>. The SBA also has a Customer Service Center at (800) 659-2955 or you may email the agency at [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov).

### **[Is there any other help available?](#)**

As you know, everything related to COVID-19, including whether there is toilet paper on the shelves at your grocery, is in flux. It is likely that additional help will become available. For example, there is legislation being considered in Congress that would provide for "Small Business Interruption Loans." It is too early to know (1) whether this program will become a reality, and (2) how it would work with existing relief available from the SBA.

We are committed to keeping you informed. Please reach out directly to your Dean Dorton advisor, other professional advisor, or email us at [info@deandorton.com](mailto:info@deandorton.com) with any questions or concerns.