



Economic Injury Disaster Loans (EIDLs):

The U.S. Small Business Administration's (SBA) is offering low-interest federal disaster loans for working capital to Nevada small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19). Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses. These loans are intended to assist through the disaster recovery period.

Types of Businesses That Qualify:

- Small businesses
- Small agricultural cooperatives
- Small aquaculture businesses
- Private nonprofit organizations

Examples of Eligible Businesses:

- Businesses directly affected by the disaster
- Businesses that offer services directly related to the businesses targeted in the declaration
- Other businesses indirectly related to the industry that are likely to be harmed by losses in their community

The Goal of EIDLs:

- Help meet working capital needs caused by declared disaster
- Help pay financial obligations and operating expenses which could have been paid had the disaster not occurred
 - Fixed debt payments, payroll, accounts payable, etc. Extraordinary expenses caused by the disaster
- EIDLs do not replace lost revenue, lost profits or fund expansion

Available Loan Terms:

- Loan amounts and terms (up to 30 years) are set by SBA and based on each applicant's financial condition
- Interest rate is 3.75% for small business
- Interest rate for non-profits is 2.75%
- EIDL assistance is available only to small businesses when SBA determines they are unable to obtain credit elsewhere. SBA does not want the applicant to self-determine whether or not they qualify. SBA is encouraging businesses to apply and let the processing center make the qualification determination
- Economic Injury Disaster Loans are limited to \$2,000,000 less business interruption insurance and other recoveries
- Payment is deferred for the first year, until April of 2021



Credit Requirements:

- Credit History – Applicants must have a credit history acceptable to SBA
- Repayment – Applicants must show the ability to repay the loan

- Collateral Requirements:
 - EIDLs over \$25,000 require collateral
 - SBA takes real estate as collateral when it is available
 - SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available

Filing Requirements:

- Completed application (SBA Form 5)
- Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates.
- Complete copies of the most recent Federal income tax returns for the applicant business (2018 tax returns is acceptable)
- Personal Financial Statement (SBA Form 413)
- Schedule of Liabilities (SBA Form 2202)
- Additional information may be necessary (please provide within 7 days of request)
- Complete copy, including all schedules of the most recent Federal income tax return for each principal owning 20% or more, each general partner or managing member and each affiliate when any owner has more than 50% ownership in the affiliate business
- If the most recent Federal income tax return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year
- A current year-to-date profit and loss statement

EIDL Eligibility:

Determining eligibility for an EIDL begins with a four-part test:

1. Location
 - The applicant business must have a physical presence in the declared disaster area
 - An applicant's economic presence alone in a declared area does not meet this requirement
 - The physical presence must be tangible & significant. Merely having a P.O. Box in the disaster area would not qualify as a physical presence
2. Business Activity
 - Primary Activity – The primary industry of the applicant & its affiliated group must be an otherwise eligible activity for the applicant to be eligible, regardless of the nature of the loss activity. (Primary activity based on revenues the year preceding the disaster)
 - Lost Activity – The activity for which the loss is being claimed must be eligible



3. Size

- The size of the applicant alone (without affiliates) must not exceed the size standard for the industry in which the applicant is primarily engaged; and
- The applicant combined with its affiliates must not exceed the size standard for either the primary activity of the applicant alone or the primary industry of the applicant and its affiliates, whichever is higher

4. Independently Owned and Operated Business

- Substantial business risk – The principals must have a business risk resulting from investing in facilities and equipment and by incurring ongoing expenses, which must be paid regardless of whether the operation generates a profit (example, a crew member on a fishing boat would not be eligible)
- Free from significant control – The applicant business must be free from significant control by other concerns (e.g., the customers or business that pay for its services)
- Effect of IRS Guidelines – Merely filing a Schedule C with the Federal Tax Return does not qualify the individual as an independently owned and operated business.

Ineligible EIDL Applicants:

- Religious Organizations
- Charitable Organizations
- Consumer and Marketing Cooperatives (except small agricultural Co-Ops)
- Gambling Concerns (Ex: Concerns that derive more than one-third of their annual gross revenue from legal gambling activities)
- Casinos & Racetracks (Ex: Businesses whose purpose for being is gambling (e.g., casinos, racetracks, poker parlors, etc.) are not eligible for EIDL assistance regardless of 1/3 criteria above.
- Concerns Engaged in Illegal Activities
- Lending or Invest Concerns
- Speculative Activities
- Pawn Shops (Ex: If 50% or more of previous years income was derived from interest they are not eligible)
- Real Estate Developers (Ex: engaged in subdividing real property into lots and developing it for resale on their own account)
- Multi-Level Sales Distribution (Pyramid) concerns
- Loan Packagers who derive 30% or more of their annual income from the preparation of applications seeking financial assistance from SBA
- Concerns with principals incarcerated, on parole or probation. The concern remains ineligible if the parole or probation is lifted solely because it is an impediment to obtaining a loan



- Government owned entities – except for businesses owned or controlled by a Native American tribe
- Political or Lobbying Concerns
- Concerns engaged in the sale of products or Services or Live performance of a prurient sexual nature.
- Concerns not located in a declared disaster area
- Concerns determined by SBA to have credit available elsewhere
- Concerns involved in change of ownership situation – entities which had a substantial change of ownership (more than 50%) after the impending economic injury became apparent, and no contact of sale existed prior to that time are ineligible
- Concerns established Post-Disaster – if a small concern was established after an impending economic injury became apparent, the owner assumed the risk and did not incur economic injury
- Refinancing long term debt
- Paying down (other than regular installment payments) or paying off loans provided, guaranteed, or insured by another Federal agency or a Small Business Investment Company. Federal Deposit Insurance Corporation (FDIC) and Resolution Trust Corporation (RTC) are not considered Federal agencies for this purpose.
- Payment of any part of a direct Federal debt, (including SBA loans) except IRS obligations.
- If a direct Federal debt is delinquent, SBA must have written documentation from the appropriate Federal agency explaining how delinquency will be cured.

Apply for EIDL at SBA:

<https://disasterloan.sba.gov/ela/>

SBA Office of Disaster Assistance Contacts:

www.sba.gov/disaster

1-800-659-2955 (Customer Service)

disastercustomerservice@sba.gov

City of Boulder City Contact:

Raffi Festekjian – Economic Development Coordinator

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