



## Extension

UNIVERSITY OF WISCONSIN-MADISON

May 4, 2020

### **UPDATE: Economic Injury Disaster Loans (EIDL) emergency loans open to farmers starting May 4, 11 am – and only open to farmers**

The Small Business Administration (SBA) was given direction in the CARES Act to modify their loan program for economic injury disaster loans (EIDL) to offer loans of up to \$2 million and emergency grants of up to \$10,000 for businesses affected by COVID-19. However, the first round of EIDL funding for COVID-19 did not allow agricultural enterprises to apply. The new funding signed into law on April 24 provides an additional \$60 billion in funding to the EIDL program specific to COVID-19 business economic injury. **Starting May 4 at 11 am, the online application is open to farm businesses only.** The online application is at this address: <https://covid19relief.sba.gov/#/>

The EIDL program requires applicants to apply directly to SBA. To apply for an EIDL online, please <https://covid19relief.sba.gov/#/>. The Wisconsin Small Business Development Centers (SBDC) is a good source for assistance on the application process. While the SBDC counselors may not have experience with farm financials, they do have experience with the SBA loan process and the online application. Find the SBDC near you at <https://wisconsinsbdc.org/centers/> The Wisconsin SBDC created a video on how to apply for these loans and advances: [https://www.youtube.com/watch?v=TiX\\_kaTs1xA](https://www.youtube.com/watch?v=TiX_kaTs1xA) Please note that it does say that farmers cannot apply. However, the rest of the video and application process are very similar, so ignore that part in the video to see how to complete the application.

To be eligible for an EIDL, a business must have 500 or fewer employees and have been in operation by January 31, 2020. The following types of business are eligible for EIDL:

- Sole proprietorships, with or without employees,
- Independent contractors, with or without employees,
- Cooperatives,
- Employee owned businesses,
- Tribal small businesses,
- Private non-profit that has tax exemptions under 501 (c), (d) or (e).

The application is for the loan program and there is an option to request an advance on the loan. The advance is the part of the loan that does not require repayment. Start with the online application here: <https://covid19relief.sba.gov/#/>.

You will need basic gross income for the 12 months prior to January 31, 2020, and basic costs of operations. You will also need your bank routing and account information so any advance you may receive can be direct deposited.

The advance/grant program provides up to \$10,000.

The SBA EIDL COVID-19 loans can be up to \$2 million, based on the severity of economic injury suffered. The interest rate is 3.75% for businesses and 2.75% for non-profits. Maximum term is 30 years. The SBA considers credit history of the applicant and determines the loan term and monthly payments based on the applicant's financial position. The SBA typically takes 18 to

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Authors: Joy Kirkpatrick, Farm Succession Outreach Specialist, UW Center for Dairy Profitability and Paul Mitchell, Professor of Agricultural and Applied Economics and Extension Agriculture Economics Specialist.

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21 days to process a loan and then two to five days to disburse the funds; however, the volume of COVID-19 applications may affect this usual timeline.

The emergency loans are not forgiven (except for emergency advances, see below for those details).

Loans can be used to cover:

- Payroll,
- Fixed debts (like mortgages but not on federal debts),
- Accounts payable,
- Rent.
- Other operating expenses.

There are several things though for which these loans cannot be used. Iowa State University's Center for Agricultural Law and Taxation has more information in [a recent blog post from April 24, 2020](#), including a list of what is prohibited, such as direct payments to owners, refinancing long-term debt, expanding facilities or repairing physical damages.

### **Emergency EIDL Advances – and how they can turn into grants**

The CARES Act included language and funding for the SBA to provide businesses with advances of up to \$10,000 for EIDL loans. These loan advances are supposed to be available within three days of the application (although this has not occurred for many EIDL advances so far). When these quickly accessible funds are used for allowable purposes, these advances become grants. Once these advances are deemed grants, the business is not required to pay the advance amount back. In the previous round of *CARES Act* funding these EIDL advances were limited to \$1,000 if you had no employees (owners only) and \$1,000 per employee (nothing additional for owners) if you have employees. Being given or not given an advance does not necessarily indicate the eligibility for a larger loan.

### **Can Businesses Apply for both the EIDL and Paycheck Protection Program (PPP)?**

A borrower can generally obtain both an EIDL and PPP; however, the proceeds may not be used for the same purposes. A borrower still must meet eligibility requirements for each program individually. If a business receives an EIDL advance/grant, it will be subtracted from the forgivable PPP loan amount.

If an application has already received other disaster assistance that must be declared in the application.