

This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Loans Available under the SBA's Economic Injury Disaster Loan Program

The Small Business Administration currently offers Economic Injury Disaster Loans (EIDL). These loans may be helpful to small nonprofits during the COVID-19 outbreak. A nonprofit may apply for both an EIDL loan and a Paycheck Protection Program (PPP) loan available under the CARES Act. Both EIDL loans and PPP loans can be used for some of the same types of costs including payroll, rent, mortgage interest, and utility payments. However, a nonprofit may not apply for both an EIDL loan and a PPP loan for the exact same costs. Nonprofits will need to determine which loan will cover which costs when they apply for these loans. Note that if the nonprofit applies for an EIDL loan first and obtains it, then the EIDL loan may be rolled into the PPP loan. For more information on the PPP, see [link](#).

While both the EIDL loan and the PPP loan can be used for some of the same purposes, 75% of the PPP loan must be used for payroll costs and only 25% can be used for other costs including rent, mortgage interest and utilities. For organizations that have significant rent, mortgage interest and utility costs, an EIDL loan may help with these costs, but note that unlike with a PPP loan there is no loan forgiveness under an EIDL.

In addition, the EIDL loan is the fastest way to get cash into a nonprofit. An eligible nonprofit that applies for an EIDL loan due to COVID-19 can request an advance on that loan, up to \$10,000 ("EIDL Advance"), which the SBA must distribute within 3 days (although it may take longer). Applicants are not required to repay the EIDL Advance, even if denied for an EIDL. Nonprofits can choose to only apply for the \$10,000 EIDL Advance (which is automatically turned into a grant) by choosing that option at the end of the online application (see the link below) or nonprofits can apply for a full EIDL loan (more than the \$10K) and the rest would be a loan and therefore not forgivable, as described below. Nonprofits may apply for an EIDL loan immediately.

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Each nonprofit needs to determine how much additional funding it needs to survive this crisis. If \$10,000 is all a nonprofit needs, the EIDL Advance may be the fastest and simplest way to get the funds. If it needs more than that, then an analysis of payroll costs, rent/mortgage, utilities etc. should be completed to determine which loan programs will provide the nonprofit with the best options to survive the COVID-19 outbreak. Options may include the PPP, the full EIDL, the EIDL Advance, credits under the Families First Act and the Employee Retention Credit under the CARES Act.

Here's some of the details about EIDLs:

- Direct loans from the US Treasury.
- Provide working capital loans that cover: fixed debts (mortgage, rent, interest payments. etc.), payroll, and accounts payable (essentially required ongoing business payments).
- Amount of loan is limited to the amount that revenue has been reduced since the disaster, so if Revenue is A beforehand and after the disaster Revenue is B, then the loan amount is $A - B = C$. The loan of C will bring the organization back to its Revenue of A.
- Loan may **not** be used to refinance long-term debts, expand business or make infrastructure improvements.
- Loan is **not** intended to replace lost sales or profits but to keep the nonprofit afloat during the disaster.
- Loan can be for as much as \$2 million for temporary loss of revenue from COVID-19 or other economic impact disasters.
- Maximum 30-year term and interest rate for nonprofits is 2.75%.
- Collateral or personal guarantee may be required for a loan (*but see below*).
- May be a requirement that nonprofit is unable to obtain credit elsewhere (*but see below*).
- Nonprofit must be in business for at least 1-year prior to the disaster (*but see below*)
- No forgiveness of the loan.
- Nonprofits must apply within 9 months of the disaster occurring/beginning when the impact on revenues occurs.
- Nonprofits can defer loan payments for one year but interest does accrue during that time.

The CARES Act expands eligibility for nonprofits applying for an EIDL including:

- The SBA can waive requirements that:
 - The nonprofit provides a personal guarantee for loans up to \$200,000,
 - The nonprofit be in operation for one year prior to the disaster, and

- The nonprofit be unable to obtain credit elsewhere.
- The SBA can approve nonprofits for small-dollar loans solely on the basis of their credit score or "alternative appropriate methods to determine an applicant's ability to repay."
- **Most Significantly**: nonprofits needing immediate funds may receive a \$10,000 emergency EIDL Advance within 3 days after applying for an EIDL.
 - _ If the EIDL is denied, the nonprofit is not required to repay the \$10,000 EIDL Advance.
 - These emergency advance funds can be used for payroll costs, increased material costs, rent or mortgage payments, or for repaying obligations that cannot be met due to revenue losses.

To apply for an EIDL loan including the EIDL Advance, click [here](#). This loan application is available now.