

Economic Injury Disaster Loan (EIDL)

What Child Care Programs Need to Know

April 10, 2020

Alongside the Paycheck Protection Program and other direct, targeted supports for child care, the Economic Injury Disaster Loan (EIDL) is a possible way for your small business to help cover certain costs during this challenging time.

We know it can feel overwhelming, and you may encounter challenges along the way, but you can do this! This resource is designed to help you understand the EIDL program and walk you through the steps you need to take to decide whether this program is right for you and, if so, how to apply for it.

Key Facts You Need to Know

- The EIDL is a low-interest loan directly administered by the Small Business Administration (SBA) for up to \$2 million per business that can be extended for up to 30 years.
 - » Please note that high demand may mean that loans are approved at significantly lower amounts than \$2 million.
- The business must intend to use the loan for existing expenses that are otherwise difficult to pay at this time. While you can use it for payroll, it is a particularly good option if your business has debts *outside* of payroll that you need help covering.
- As part of applying for the EIDL, your business may be able to receive up to a \$10,000 advance to help you cover expenses within a few days; even if you don't get the EIDL, you will still get to keep the advance up to \$10,000 as a grant.
- Except for the up to \$10,000 advance, which is expected to be treated as a grant, the EIDL cannot be forgiven, unlike the Payment Protection Program (PPP) loan. You will have to pay the EIDL back, with interest.

Am I Eligible to Apply?

- Are you a small business owner, independent contractor, sole proprietor, or self-employed individual who has been directly affected by COVID-19?
- Do you run a nonprofit organization with fewer than 500 employees who has been directly affected by COVID-19?

If you answered **YES** to either of these questions, then you are eligible to apply!

THE FINE PRINT

- The company must be owned by US citizens or lawful permanent residents. Sole proprietors, self-employed individuals, and independent contractors must be US Citizens or lawful permanent residents.
- Some of these loans may require collateral. Loans less than \$25,000 do not require collateral. Loans of \$25,000–\$200,000 require business collateral (examples include company computers, company car(s), high-end supplies, and materials that could be resold). Loans above \$200,000 may require personal collateral (examples include a home or personal car).
- Franchises take note: you may be a business that has more than 500 employees but is considered “small” under SBA’s “size standards,” which for most child care providers is \$8 million—in other words, you can’t generate annual revenues of more than \$8 million per year. Learn more at www.sba.gov/size-standards

What Is an EIDL?

As the name indicates, an EIDL is a low-interest loan meant to be a stopgap to help you get through periods of disaster. EIDLs carry an interest rate of 3.75% for for-profits and 2.75% for nonprofits. The loans can extend up to 30 years and you don't have to pay anything back for the first 12 months of the loan.

NOTE: If a large amount of the money you need is for payroll, check out the [Paycheck Protection Program](#) for an alternate loan program that may also be helpful to you.

Here's how it works: EIDLs are provided by the US SBA itself (unlike the Paycheck Protection Loans, which are administered by banks). You can use an EIDL loan to pay for the following expenses incurred between January 31, 2020, and December 31, 2020:

- Fixed debts (i.e., long-term debts that your business owes), including mortgage (principal and interest) on a business property, business auto loans, and existing non-SBA loans. (If you have an existing SBA loan, call your SBA lender and ask them about loan deferment options.)
- Accounts payable, which includes outstanding money you owe vendors/suppliers such as cleaners, delivery services, food vendors, entertainers, etc.
- Rent owed on a leased business property.
- Utilities, including water, telephone, internet, electricity.
- Payroll (but be careful if you are also applying for a PPP loan).
 - » Important: You can't "double-dip" on expenses, meaning that if you get a PPP or other loan and you get an EIDL loan, you can't use the EIDL loan to pay for payroll and then also use the PPP or another loan for the same payroll amount. These costs have to be kept separate and you have to be able to show which loan you used for what purposes if the SBA or the lending bank asks.

What is this I'm Hearing About a Cash Advance?

The EIDL application has an option to receive an advance up to \$10,000 to help you cover expenses immediately. For a variety of reasons, not everyone who asks to be considered for the advance will get it, but everyone can apply—we'll show you where and how on the following pages.

- If you get the advance and an EIDL, the amount will be deducted from the total loan amount so that it effectively becomes a grant.
- If you get the advance and you don't get an EIDL, you still get to keep the advance, up to \$10,000, as a grant, so you will NOT have to pay it back.

NOTE: You do need to apply for the full EIDL to be considered for the advance; the request for the advance is embedded in the full application. You can use the advance, if you get it, for all the same expenses as you would the full EIDL.

The information in this document may change subject to additional legislation and/or guidance from Congress and the SBA. This document is for informational purposes only and should not be considered legal advice.

EXAMPLE

Katy runs a small child care program with five employees. She also owns a large building where different types of after-school and summer programs are housed and owns or rents a variety of other assets to support the business operation. Katy was doing great, with support from many families whose children attended the nearby school, until a stay-at-home order was put in place and schools were closed. Now she is dealing with a mortgage payment, the lease on her two vans, and a mounting list of bills from water to internet to payments she owes to the cleaners—not to mention her payroll! Katy is confident that her business will come back when the school reopens, but she doesn't know when that might happen. She thinks this could continue for the rest of the year, and she wants to be prepared for the possibility that schools may not open until January 2021.

With this timeline in mind, Katy decides to apply for an EIDL to cover her expenses and keep her company going for the future. Katy divides all her bills into two groups: continual costs that will be paid over the course of the year (mortgage, van leases, utilities, staff payroll) and costs that are one-offs or not recurring because the company is closed (cleaning bills, the snacks supplier). She adds up the continual costs, which come out to \$150,000 for the calendar year. The one-off costs come out to another \$15,000. Katy decides she wants to apply for a \$165,000 loan from the SBA. She can document all the payments with invoices, receipts, payroll tax documents, and mortgage/lease agreements. Some of the costs aren't on these specific documents but are reflected in other documents like pay stubs and last year's business tax filings.

Katy gets in touch with the SBA, applies, and gets approved for a \$165,000 loan. They agree to a 30-year fixed term, meaning she has 30 years to pay back the loan. The SBA is guaranteeing the loan interest rate will be 3.75% for private businesses (it's 2.75% for nonprofits). Katy gets the loan deferred for 12 months, so that means she doesn't have to start paying it back until next year.

How do I apply for an EIDL?

Start by getting your information ready.

Documents that will be helpful include

- Latest tax filing from you and your business (2018 or 2019—if you have both, that's good too)
- State certification of business ownership documents (certificates of organization, articles of incorporation)
- Articles of organization/incorporation or some document that shows who owns what percentage of your company (if there are multiple owners)
- The legal name, employer identification number/social security number, addresses, birth date, city of birth, email, citizenship status, and cell phone number for each person who owns more than 20% of the company

Since EIDLs are provided directly by the US SBA, you will apply online at <https://covid19relief.sba.gov>

- This is a four-page application and you can take a break and start again—but don't close the browser window or hit the back button, because it will make you start over at the last page or begin the whole application again.

When can I apply for the EIDL Loan?

You can file your EIDL application now and throughout the 2020 calendar year; however, we encourage you to file sooner rather than later because there is a limited amount of funds available for EIDLs.

Need Additional Help?

The following pages replicate the exact webpages and questions you will need to fill out. The more complicated areas are explained, but make sure you fill in all the sections in order to complete your loan application.

Remember that throughout this process, anyone can get frustrated or confused. It's okay—there are resources available to help you. The SBA has district offices across

the country—try reaching out to the one closest to you. Alternatively, try getting a business counselor from SCORE (www.score.org), a Small Business Development Center (SBDC—<https://americassbdc.org>), or a Women's Business Center (WBC—www.awbc.org) who can help you with any or all aspects of this process!

Application Page 1

Choose One:

- Applicant is a business with not more than 500 employees.
- Applicant is an individual who operates under a sole proprietorship, with or without employees, or as an independent contractor.
- Applicant is a cooperative with not more than 500 employees.
- Applicant is an Employee Stock Ownership Plan (ESOP), as defined in 15 U.S.C. 632, with not more than 500 employees.
- Applicant is a tribal small business concern, as described in 15 U.S.C. 657a(b)(2)(C), with not more than 500 employees.
- Applicant is a business, including an agricultural cooperative, aquaculture enterprise, nursery, or producer cooperative, that is small under SBA Size Standards found at <https://www.sba.gov/size-standards>.
- Applicant is a business with more than 500 employees that is small under SBA Size Standards found at <https://www.sba.gov/size-standards>.
- Applicant is a private non-profit organization that is a non-governmental agency or entity that currently has an effective ruling letter from the IRS granting tax exemption under sections 501(c),(d), or (e) of the Internal Revenue Code of 1954, or satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law, or a faith-based organization.

Choose one of these that applies to you. You'll most likely fall into one of the first two options or the last one.

Review and Check All of the Following:

Applicant must review and check all the following (If Applicant is unable to check all of the following, Applicant is not an Eligible Entity):

- Applicant is not engaged in any illegal activity (as defined by Federal guidelines).
- No principal of the Applicant with a 50 percent or greater ownership interest is more than sixty (60) days delinquent on child support obligations.
- Applicant is not an agricultural enterprise (e.g., farm), other than an aquaculture enterprise, agricultural cooperative, or nursery.
- Applicant does not present live performances of a prurient sexual nature or derive directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature.
- Applicant does not derive more than one-third of gross annual revenue from legal gambling activities.
- Applicant is not in the business of lobbying.
- Applicant cannot be a state, local, or municipal government entity and cannot be a member of Congress.

The applicant is your business. Principal of the applicant (question #2) is an owner of the business.

Application Page 2

1 Business Legal Name *

2 Trade Name *

3 EIN/SSN for Sole Proprietorship *

4 Organization Type *

Is the Applicant a Non-Profit Organization? *

Yes No

Is the Applicant a Franchise? *

Yes No

Remember Applicant is your business.

5 Gross Revenues for the Twelve(12) Month Prior to the Date of the Disaster (January 31, 2020) *

6 Cost of Goods Sold for the Twelve(12) Month Prior to the Date of the Disaster (January 31, 2020) *

7 Rental Properties (Residential and Commercial) Only - Lost Rents Due to the Disaster

8 Non-Profit Cost of Operation for the Twelve(12) Month Prior to the Date of the Disaster (January 31, 2020)

9 Combined Annual Operating Expenses for the Twelve(12) Months Prior to the Date of the Disaster (January 31, 2020) for All Secular Social Services Provided by the Faith Based Entity

List the Secular Social Services Provided by the Faith Based Entity

10 Compensation From Other Sources Received as a Result of the Disaster

Provide Brief Description of Other Compensation Sources

1 This is the name of your business. You can find this on your business tax return and the state certification of your business.

2 If your company goes by another name, put it here. Otherwise put the same name as above.

3 This is your company Employer ID number on your business tax return. If you filed only personal taxes last year, use your social security number.

4 Select the type of company you are. This should be in your certificate of organization/Incorporation.

5 This is how much money you made from 1/31/19–1/31/20 before paying for taxes, payroll, or anything else.

6 This only applies if you make a physical product for sale. If you don't, put 0.

7 Fill out only if your business rents property to someone else.

8 If you're a non-profit, fill in your rent or mortgage cost, utilities, payroll, and other costs to run your non-profit.

9 Faith Based Entities can only claim non-faith related expenses. So if you run a child care out of a church basement but the church has nothing to do with the curriculum you teach or the business itself, you can write down the expenses. If your child care is run by the church you can't apply for this loan.

10 If you got another loan from a bank or if you got money from an insurance claim because of the coronavirus, you can inform SBA about it here.

Application Page 2 (Cont.)

Primary Business Address (Cannot be P.O. Box) *

City *

State *

County

Zip *

Business Phone *

Alternative Business Phone

Business Fax

Business Email *

11 Date Business Established *
mm/dd/yyyy

12 Current Ownership Since *
mm/dd/yyyy

13 Business Activity *

14 Detailed Business Activity *

15 Number of Employees (As of January 31, 2020) *

11 Date your business was officially established. You can find this on the Certificate of Organization/ Incorporation.

12 If you brought in additional owners, the date from your updated Articles of Organization/Incorporation should be put here. If you've never changed ownership, just put the same date as on the line above.

13 From the dropdown menu, you will likely select "Educational Services."

14 From the dropdown menu, you will likely select "Daycare."

15 All employees for which you either pay payroll taxes.

Application Page 3

Business Owners Information

1 Is Your Business Owned by a Business Entity? Yes No

Individual Owner/Agent(s)

2

Owner/Agent 1

First Name *

Last Name *

Mobile Phone *

Please enter a valid phone number. Format must be (XXX)-XXX-XXXX, all digits.

Title / Office *

Ownership Percent *

Email *

Please enter a valid email.

SSN *

Birth Date *

mm/dd/yyyy

Place Of Birth *

U.S. Citizen *

Yes No

Residential Street Address *

City *

State *

District of Columbia

Zip *

Please enter a valid Zip. Format must be XXXXX, all digits.

- 1 Only select yes if a part owner in your company is a business.
- 2 Pick the title that best fits the position..

3 There will be a button to add additional owners here. Click it to add any additional owners to own at least 20% of the firm. Keep adding in owners until you've added all applicable owners.

Additional Information

In the past year, has the business or a listed owner been convicted of a criminal offense committed during and in connection with a riot or civil disorder or other declared disaster, or ever been engaged in the production or distribution of any product or service that has been determined to be obscene by a court of competent jurisdiction? Yes No

Is the applicant or any listed owner currently suspended or debarred from contracting with the Federal government or receiving Federal grants or loans? Yes No

a. Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction? Yes No
b. Have you been arrested in the past six months for any criminal offense?
c. For any criminal offense - other than a minor vehicle violation - have you ever been convicted, plead guilty, plead nolo contendere, been placed on pretrial diversion, or been placed on any form of parole or probation (including probation before judgment)?

If anyone assisted you in completing this application, whether you pay a fee for this service or not, that person must enter their information below.

Individual Name

Name of Company

Phone Number

Street Address, City, State, Zip

Fee Charged or Agreed Upon

I give permission for SBA to discuss any portion of this application with the representative listed above. Yes No

I would like to be considered for an advance of up to \$10,000.

Here is the place where you will click the box if you'd like to be considered for the advance of up to \$10,000.

Where to Send Funds

Bank Name *

Account Number *

Routing Number *